

Mr Headphones John Koss proves it: niche players can survive Technology, Page 11



Food aid for Africa Manji's magic biscuits put Unicef on the spot



Hollywood whirl Ted and Ed: changing places? etter from LARPage 9:

Financial services Why banks have no future Peter Martin, Page 20

The Millennium bomb

Warnings of computer chaos herald the new millennium: in three special pages tomorrow, Thursday and Friday - the FT examines how the world is preparing



WORLD NEWS

Saddam's deputy survives grenade assassination bid

Iraqi President Seddam Hussein's deputy escaped an assassination attempt in the south of the country, Baghdad television reported. Izzat Ibrahim a senior member of the powerful Revolutionary Command Council, was attending a religious caremony in Kerbala, a Shi'ite holy city, when assailants threw two granades as he got out of a car. Several bodyguards and bystanders were wounded. Iraq cuses Unscom chief, Page 6

German coalition shows strains Conflicts within Germany's new aleft-of-centre coalition erupted into the open as an important political ally of Chancellor Gerhard Schröder distanced himself from the thrust of the administration's planned tax reforms. Europe, Page 2; Currency battle lines drawn, Page 3

Turkey's Yilmax at bay Turkish prime minister Mesut Vilmaz made a last-ditch attempt in parliament to defend himself against comption charges before facing a vote of censure tomorrow. Europe, Page 3

Brussels said it could accept a US peace offer of arbitration through the WTO to resolve the row over the EU's banana import threat of unilateral sanctions. Trade, Page 4

anese coalition daai wobbies The Jacanese covernment was in turmoil after an agreement by the ruling Liberal Democratic party to form a coalition with the opposition Liberal party came close to collapse. Asia-Pacific, Page 6

Transport strikes hit EU Strikes to protest against European Commission plans to liberalise freight traffic severely disrupted the flow of passengers and goods in six EU countries. Europe, Page 2

Azerbaijan oil pipeline warning Azerbaijan could lose \$500m a year in oil revenues from 2005 if the government decides to support the proposed Baku-Ceyhan pipeline for Azeri crude, say oilmen. Trade, Page 4

Adviser for Kenyan bank Kenya's Central Bank has appointed an adviser to help manage the National Bank of Kenya following a Ks2bn (\$34m) government bailout. International, Page 6

US opposes German nuclear call The US rejected calls from the German government that Nato should consider committing itself never to use nuclear weapons first. Europe, Page 2

Cold kills 65 in Europe An Arctic cold wave has killed 55 people throughout Europe. In Paris, fountains in front of the Elffel Tower were frozen solid. Madrid road tunnels plan Spanish officials unveiled a

\$2.2bn plan to ease Madrid's

of underground highways. WORLD MARKETS STOCK MARKET MOICES

| Note |

ES LUNCHTIME RATES

OTHER RATES

traffic congestion with a network

BUSINESS NEWS

Worst of Asian economic crisis 'may be over'

The worst of the economic crisis in Asia may be over, the Asian Development Bank has forecast. Overall economic growth for the 23 Asian developing countries, excluding Japan, surveyed by the ADB was expected to rise to 3.4 per cent in 1999 after a 1.9 per cent decline in 1998. Asia-Pacific, Page 8

Siebe and BTR, two of the UK's largest engineering groups, are merging to form the world's biggest control systems and automation company, valued at £9.4bn (\$15.7bn). Companies and Markets, Page 23; One man shows, Page 21; Observer, Page 21; Lex, Page 22

Denmark, one of the world's highest-taxed countries, plans to transform itself into a zero-tax regime for international holding companies under a radical overhaul of fiscal regulation. Europe, Page 2

itsche Bank of Germany said it was in advanced stages of negotiations to buy Bankers Trust, in the largest ever takeover of a US financial company by a foreign competitor. Companies and Markets, Page 23; Observer, Page 21

News Corporation, the global media group controlled by Rupert Murdoch, said it intended to expand into television and entertainment across Europe and was looking to invest with other media companies. Companies and Markets, Page 23; Foot-

hold in Europe, Page 25 tabanik, Hungary's fourth biggest bank, has put in place a restructuring programme designed to cut costs, shake up management; and clear out lossmaking investments. European companies, Page 25

Thyssen, the German industrial group soon to merge with rival Krupp, said it was acquiring Dover Elevators from Dover Corp of the US. International compa-

nies, Page 28 Unum and Provident, the two largest disability insurers in the US, announced a \$5bn merger in an attempt to build revenues both in the US and internationally. US companies, Page 26

Recent Pacific, the Hong Kong-based asset management group, reported a US\$57.17m s for the latest six months after writing off \$61.55m of unrealised losses on investments in former Soviet republics. Asia-Pacific companies, Page 24

Dresdner Bank, the German group, said it was keen to expand in Europe, possibly by way of an acquisition or a merger. European companies, Page 25

Euro Prices A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.

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Germany to push ahead with EU tax harmonising plans

Pledge on 'havens' puts country on collision course with UK

By Peter Norman and Wo Münchau in Brossels

Germany's centre-left coalition government yesterday put itself on a collision course with its British Labour allies by pledging to push ahead with tax harmonisation in the European Union. Speaking at the European

Union economics and finance ministers' council, Oskar Lafontaine, Germany's finance minister, said shutting down EU tax havens and harmonising corporate taxes would be high on Germany's list of policy priorities for an EU strategy for growth and jobs creation.

Germany promised to achieve the first results of its drive to ease the tax burden on employment during Bonn's EU presidency in the first half of next

Mr Lafontaine's call ran into strong opposition from Gordon Brown, the British finance minister, exposing one of the main fault lines between Britain and continental Europe.

Mr Brown warned that Britain would use its EU veto to halt any

icy is made in Britain not in Europe. It is by cutting taxes, not raising them, that is the way forward to create jobs," Mr Brown

icy and we will not hesitate to use that if we have to."

The split over tax policy highlighted the limitations of an 11- Europe". page document in which the EU's Social Democrat and Socialist parties, grouped in the Party of European Socialists (PES), agreed a common approach to economic policies and reform.

The document, agreed in October by left-of-centre finance ministers and disclosed to the press during the past week, spoke of the need for efforts "to avoid harmful tax competition among member states".

But it emerged yesterday that Britain had tried to block discussion on a more far-reaching document written by Philippe Busquin, a Belgian politician and chairman of a PES working party

on tax matters.

unacceptable tax moves. "As far "an effective minimum taxation as Britain is concerned, tax pol- on the corporate level as well as on the level of savings" to avoid petition after next year's introduction of the euro, the European single currency.

> It warned that tax competition resulted in an "increased tax burden on labour with negative effects on employment in

Mr Brown's officials told Mr Busquin that he had contradicted UK government policy in a number of fundamental respects, saying the paper "in its current form

When outlining his ideas for economic policy co-ordination in Europe. Mr Lafontaine underlined the importance of wages rising in line with productivity to stimulate consumption and growth.

Mr Brown, by contrast, highlighted a supply-side agenda to strengthen product and capital markets in the EU, including the venture capital market. Making an indirect plea for

Lafontains and Dominique monetary policy.



Dominique Strauss-Kahn, left, with Oskar Lafontaine vesterder

Strauss-Kahn, the French finance and economics minister, called on the European Central Bank to take account of Rurope's high lower interest rates, both Mr unemployment when setting

They agreed there was no danger of inflation in Europe at

Awkward contradiction, Page 2

Bull market sparks wave of M&A deals

By Alchard Waters, William Lewis and Dan Bögfer to New York

The return of the hall market in stocks brought the mergers and acquisitions business roaring back to life yesterday, with news of eight deals in the US worth \$1bn or more and a continuation of Europe's industrial consolida-

Also, with US share prices dallying with their first record highs since July, and the autumn fears that had home over the financial markets banished, Wall Street was looking forward to a new round of corporate unions in the

> The "three-month hit" suffered by the stock market has now passed, said Dennis Kozlowski.

chairman of Tyco International, a broad conglomerate that has been one of the fastest-growing US companies of the decade. "Corporate sarnings look better. Business in general looks much more robust. The stock market feels good."

Tyco said it would use \$11.3bn worth of stock to buy AMP, an embattled maker of electrical

The purchase trumped a rival bid from AlliedSignal, which has offered \$9.7bn in cash - Wall Street's preferred currency for acquisitions at a time when share prices languished in the early autumn. Tyco's shares have jumped more than 40 per cent in the past six weeks, giving it the nies, in spite of having the larg-ammunition to outflank its rival. est share of the browser market per cent while the Swiss market

The deal was one of two giant and one of the most visited web unions in which companies took advantage of hefty increases in their share prices to launch accurisitions. America Online confirmed that

it was planning to use its supercharged stock to pay more than \$4bn for Netscape, the internet browser company that was itself once a darling of the stock mar-

A fourfold increase in AQL's share price this year has left the company with a stock market value of about \$38bn, allowing it to swallow Netscape easily. Netscape, on the other hand, has missed out on Wall Street's latest love affair with internet compa-

The deals helped generate a very strong morning on Wall Street, which brought the Dow Jones Industrial average and other broad market indicators almost to the all-time highs they set mid-July.

The Dow reached above 9,300 for the first time since July 17. while the S&P 500 also reached its highest levels since that date. European markets were also buoyant. In London, the FTSE 100 index had a third successive day of large gains, closing up 130.9 at 5,848.4. The market shared the pattern of other Euro-

pean markets.

was up 2.8 per cent. The Paris CAC 40 index was up 43.11 at

3,845.81. The return of the merger wave after its brief autumn lull is likely to continue at least until the end of the year, M&A experts said. "People believe things have settled down, the world isn't going into meltdown," said Morton Pierce, head of M&A at Dewey Ballentine, a law firm.

Among other deals yesterday Deutsche Bank confirmed that it was in talks to buy Bankers Trust and Siebe said it would pay 17.6bn for BTR.

Tyco offer for AMP, Page 23; Deut-sche Bank, Page 23; Siebe and BTR, Page 23; Lex, Page 22; World stocks, Page 44; London stocks, Page 54

Clinton considers a new economic order

By Gerard Baker, travelling with President Clinton

When Bill Clinton, US president, was asked during his Tokyo visit what was the most important economic challenge facing the world, he replied without hesitation: "To adapt the international economic systems to the realities of the 21st century".

A few days later, in a discussion with Korean community leaders, Mr Clinton bemoaned the uncontrollable nature of modern giobal capital flows. He recalled how investment flooded into the Korean economy

in the 1980s and most of the 1990s. Then, "problems come up, and boom, the money goes away". "Don't be fooled," he said. When \$1.5 trillion is moving around the world every day, the

possibility for instability is great. You should not blame yourself. The situation is worse than it would have been because of the volatility and size of the financial Clinton advisers say the presi-

change to the whole system is the teeth of crisis, pointing to needed. Now that he has only 18 Abraham Lincoln and Franklin months left in his administration Delano Roosevelt. It is harder, he and the threat of impeachment is says, to earn such a reputation in fading, it is an issue to which he times of peace and prosperity. could devote his prodigious energy.

finance ministers and central bank governors of the Group of 22 industrialised and emerging market countries.

But his thinking may already he more radical than that prevailing in the US Treasury, the International Monetary Fund and the US Federal Reserve.

Their view is that the bulk of the blame for the crisis of the past year lies with the countries themselves. What is needed, they say, are measures to deregulate. open markets and improve trans parency. Many economists admired by

Mr Clinton, including Joseph Stiglitz, the former chairman of his council of economic advisers and now chief economist at the World Bank, have pressed for some form of controls Also, the president has recently

finished reading an unpublished book by George Soros. which calls for radical changes to international financial markets. Aides say he was impressed by some of Mr Clinton often notes in nri-

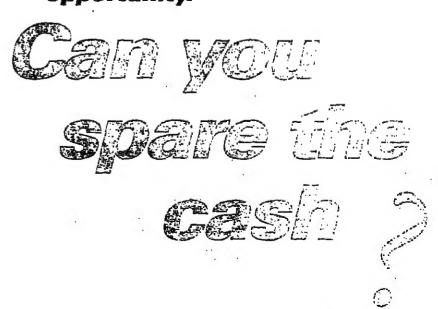
vate that great presidents have dent instinctively feels that tended to achieve greatness in

If the international economic turmoil does truly require a radi-So far, he has not made any cal response, perhaps Mr Clinton specific proposals. He appears to might have one last shot at greatbe happy to leave the debate to ness.

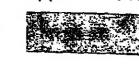
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HOLDING COMPANIES MOVE FOR ABOLITION OF WITHHOLDING TAX ON OVERSEAS DIVIDENDS DISMAYS DUTCH FACING LOSS OF REVENUES

Denmark plans fiscal rules overhaul

Clare MacCarthy in Copenhagen

Denmark, one of the highest-taxed countries in the industrialised world, plans to transform itself into a zero-tax regime for international holding companies under a radical overhaul of fiscal regulations.

The move, involving abolition of withholding taxes on company dividends trans-

mier location for holding and Austria. They would companies seeking to minimise tax liabilities.

Dutch government officials, briefed on the Danish legislation in Copenhagen last week, were said to be dismayed at the loss of tax revenues if holding companies relocated to Denmark.

The new Danish proposals. which have received a first reading in parliament, could

also come into effect just as the European Commission steps up efforts to harmonise EU taxes.

Danish politicians have denied the move is aimed at flouting the Commission's drive to harmonise corporation tax and withholding taxes on interest income. "I do not believe there could be any EU problems. It's not ferred in and out of the threaten low-tax holding our intention to create a

Netherlands as Europe's pre- bourg. Belgium, Switzerland vad, Danish tax minister. tion would be tax free. The a Copenhagen-based intern Companies repatriating government has decided to ease its "participation profits from overseas subsidexemption system" enabling iaries as dividends could cut their tax liabilities by Danish companies to receive dividends tax free from forexploiting the new rules. Tax consultants in Copenhagen said they had been Denmark does not levy contacted by several large

capital gains tax on the sale corporations seeking advice about setting up holding iaries, provided those shares have been held for at least companies in Denmark. Under the so-called L53 three years. The upshot is proposal, dividends paid by a that Denmark will become a Danish holding company to leading company holding

nesses - and not just in the

area of holding companies.

The UK has Gibraltar and

the Canaries, Portugal has

Madeira, Italy has Campione

in Switzerland, France has

Channel Islands, Spain

tional tax consultant.

Deloitte & Touche, the accountancy firm, said the system would be unique. The UK and Ireland also have no withholding taxes on dividends paid out to overseas parent companies. but dividends paid to UK and Irish companies from

taxable. If the measures receive final approval, they

Awkward contradiction at heart of havens

businesses are likely to be rubbing their hands today at the prospect that Denmark may soon join the ranks of governments that offer significant tax breaks to lure companies onshore.

The Danes are claiming to have edged shead of the competition with their plans for a zero-tax regime for holding companies. But other countries have similar schemes and some may upgrade to match them. Politicians have under-

stood that creating a benefi-

in itself. They have been spurred by the advent of economic and monetary union and the ability of "footloose" companies - in sectors such as IT - to choose a holding company location irrespec-

tive of geography.

The globalisation of companies has greatly increased demand for holding company structures that can be used to regulate the flow of tax paid is minimised - a perfectly legal strategy for multi-national busines

"Practically everybody is in the holding company ing company. "About a third of the FT-SE 100 has mixers lan offshore holding company used to weave together tax advantages)," he said.

But at the heart of political enthusiasm for tax regimes is an awkward contradiction. Most countries involved are at an international level trying to end "harmful" tax competition. The Organisation for Economic Co-operation and Development. Group of Seven leading industrial nations, and European Union are all trying to attack the worst excesses of

"There is a lot of hypocrisy talked about this - a certain amount of doublespeak," said Nigel Eastaway. of the Chartered Institute of Taxation in the UK. He pointed to the recent establishment of the UK holding company regime and noted that innovative parts of the Danish scheme would be widely welcomed elsewhere. The UK is doing a review

Monaco, and the Netherof double-tax relief and it lands the Dutch Antilles. Governments stand to sain will be interesting to see if from such schemes. Small they join in," said Joy Sevaste-Salee, tax expert amounts of tax do have to be with KPMG. The Dutch lead the field at the moment for cash needs to be held in the holding company relief, but holding company. Also, in

countries like Luxembourg. nies have to be formed generating registration fees and Most countries have an offshore regime which can be useful for securing tax "They are also trying to advantages for big bust-

get the business established in their jurisdiction so that while they don't get the direct tax they do spur employthat." said Mr Eastaway. Meanwhile Brussels led

by Mario Monti, single maring ever harder to harmonise tax in the EU. But until politicians accept the need to curb some tax competition and lose business to centres outside the EU - that goal looks ever more distant.

German coalition tax clash erupts

By Raiph Atkins in Bonn

Conflicts within Germany's coalition government erupted last night as an important political ally of Chancellor Gerhard Schröier, distanced himself publicly from the thrust of the administration's lanned tax reforms.

The comments by Wolfgang Clement, prime minis ter of the economically powerful state of North Rhine Westphalia, worsened simmering disputes over policy and strategy that have developed since Mr Schröder's appointment as chan-

cellor four weeks ago. Mr Schröder's aides admit ted yesterday that "commu-nication" mistakes had been made, and indicated they were open to "properly financed" suggestions for improving personal and corporate tax reform plans.

Proposals for higher "ecological" charges on energy have had to be reworked to include exemptions for industry. Mr Schröder has also been buffeted by disputes over the tax and social insurance treatment of part-time jobs paying DM630 (\$369) a month or less.

The complex disputes have been damaging to Mr Schröder because of his reputation as a communicator and his election pledge to "do things better" than the preceding government. They have also muddled policy objectives: plans to clamp down on employer exploitation of "DM620 jobs" have been watered down, while economists argue the "ecological"

package will have little affect on the environment. Still to be worked out is how to fund the tax shortfall created by the decision to remove tax on DM620 jobs, but deduct social insurance contributions instead. Much of the burden will fall on the

16 state governments, including North Rhine West-Yesterday, Green party coalition allies called for regular meetings of senior fig-ures in the SPD-Green coalition to resolve conflicts and set long-term strategy. But the Greens stopped short of formally invoking crisis resolution mechanisms included in the coalition

It emerged at the weekend that Mr Clement, seen as on Mr Schröder's modernising wing of the SPD, had written two weeks ago to the chancellor calling for substantial changes in the government's personal and corporate tax proposals, including substantially lower top and basic income tax rates

agreement signed last

Mr Clement's proposals were branded "frivolous" by Rezzo Schlauch, Green parliamentary leader. But in a television interview, Mr Clement insisted "something must be done" to help small and medium companies.

NEWS DIGEST

ECONOMIC AND MONETARY UNION

Sharp growth in support for euro within Sweden

Support for Swedish participation in economic and monetary union (Emu) has risen sharply in spite of the government's wait-and-see approach to the single currency, the euro, according to an opinion poli published in Swe-

The poll, published in the Dagens Nyheter newspaper, showed support for the euro rising to 36 per cent - up from 26 per cent in a similar poll in April. Opposition to Enu membership fell from 41 per cent to 35 per cent. It is the first time that an opinion poll has indicated sup-

port for the single currency overtaking opposition. Erik Asbrink, the country's finance minister, said yesterday that growing support for the euro could increase the prospect of a referendum on Swedish membership during the current four-year parliament. Speaking at a meeting of finance ministers in Brussels, he said: "We do not have a strong Yes majority at the moment, rather things look very even and we do not know how stable public opinion is."

Sweden's ruling Social Democratic party has ruled out membership of the euro in the first wave next year, even though the country has no opt-out from the Maastricht treaty. Tim Burt, Stockholm

POST-WAR ACCORD

Croatia and Bosnia sign deal

Croatia and Bosnia have signed an accord aimed at set-Crossa and bossia rave signal and the conding to the deal landlocked Bossia receives the right to use the Adriatic port of Ploce, while Crossa is given free transit through Neum, a short strip on the Adriatic coast.

"The signing of these agreements heralds a new chapte in relations between Bosnia and Croatia and makes the distance between Zagreb and Sarajevo a much shorter one," Jacqes Klein, the US diplomat who helped broker the accord. Croatian troops battled Bosnian government. troops during the war in Bosnia, until the two sides agreed under US pressure to form a federation, which now covers one half of Bosnia-Herzegovina. The parties are committed to draft detailed annexes to the accord by next July.

CZECH AND SLOVAK PREMIERS

Closer ties are pledged

The Czech and Slovak prime ministers yesterday met for the first time in a year, pledging closer ties and the quick resolution of property disputes arising from the break-up of Czechoslovalda in 1993.

It was the first meeting between Milos Zeman, Czech prime minister, and Mikulas Dzurinda, the new Slovak premier, whose broad social democratic alliance defeated the nationalist grouping led by Viedimir Mediar in Slovalda's recent elections. Mr Dzurinda said the two governments had agreed to solve outstanding property disputes, over Czechoslovalda's gold reserves and state debts, within a year. Reuters, Bratislava

REFERENDUM

Albanians 'vote for change'

Wolfgang Schüssel, foreign minister of Austria, which at present holds the European Union presidency, said yester day Albanians appeared to have voted for a new democratic constitution in a referendum on Sunday. "Even if no final figures are available yet, it is clear more than half of eligible Albanian voters took part in the referendum and an overwhelming majority were in favour of the new constitu-tion," Mr Schüssel said. The official result is not expected until today. The socialist-led government of Pandell Majko, prime minister and the opposition Democrats, led by the former president, Sall Berisha, who boycotted the vota, have both claimed victory. Reuters, Vienna

STEEL TRADE

EU to become net importer

The European Union will become a net importer of steel for the first time this year because of a surge of cheap exports caused by the collapse of demand in Asia, according to the Organisation for Economic Co-operation and Development.

The OECD's steel committee said imports were likely to remain high next year. It also forecast a continuing fall in EU exports, which would lead to an even bigger steel trade deficit. The OECD announcement comes as Eurofer. the EU steelmakers' association, finalises a request for protection against alleged steel dumping. Eurofer will target six countries, including Taiwan, and is considering whether to add South Korea to the list.

The European complaints follow a sustained campaign for protection by American steelmakers. The US administration is considering appeals for anti-dumping action against Japan, Russia and Brazil.

The OECD report said steel imports into the EU "at incredibly low prices" were rising, leading to a "significant fall" in overall market prices. According to Eurofer, prices for some products have fallen by 30 per cent in six months. Kevin Brown, Industry Editor

STANDARD & POOR'S

Rating boost for Bulgaria

Standard & Poor's positive outlook and credit rating of B assigned to Bulgaria yesterday paves the way to rating upgrades next year, provided the country persists with reforms, bankers and a government official said. "Progress in macroeconomic and structural reforms should secure further upgrades," said Peter Botoucharov, Bank Boston emerging markets research vice-president.

Early this year Bulgaria requested ratings from Standard and Poor's, Fitch IBCA and Moody's Investor Service for a \$200m debut Eurobond issue, initially planned for this year, but postponed after the Asian and Russian crises.

"S&P's positive Bulgaria outlook is significant, given that against the backdrop of the financial crisis many rating agencies downgraded a number of emerging market countries recently," said Plamen Oresharski, deputy finance

Standard & Poor's gave Bulgaria B long-term and short-term local and foreign currency issuer credit ratings. S&P said the ratings were constrained by the country's heavy external indebtedness and delayed structural reform.

The agency said Bulgaria had progressed towards macroeconomic and financial stability since the country's economic crisis in early 1997 and the outlook on the long-term ratings was positive. Continued financial discipline and steps toward struc-

tural reforms have secured important bilateral and multilateral support," S&P said. "With a successful acceleration of structural reforms, Bulgaria's rating could advance in the year ahead," it said. Reuters, Sofia

AEROSPATIALE FLOTATION

Lagardère in talks on staff participation

Lagardère, the French defence and publishing company, is understood to be negotiating with the French government on conditions for its employees to participate in next year's planned flotation of Aerospatiale, the state-owned aerospace

Word of this new wrinkle in efforts to merge Aerospatiale with Lagardere's Matra defence interests has emerged as Paris appears to be preparing a strategy to the initial public offering, respond to any move by Britand whether any shares alloish Aerospace and Ger- cated to them should be without waiting for France.

Ministry sources yesterday confirmed reports of a ministerial meeting last week at prime minister Lionel Jospin's Matignon base at which the subject of a British-German merger was disrussed.

They said one possible response under study was to transfer the state's 40 per cent holding in Thomson-CSF, the defence electronics company, to Aerospa-shares which will be

strengthen links between the two French defence groupings that have taken shape around Thomson CSF and Aerospatiale, making them against US and Anglo-German mants. Mr Jospin's office, how-

ever, said there was no govbringing together Thom-The first priority was still to Matra operation.

ommunication.

Serings live sport to TV o

progress was being made, be agreed shortly and the flotation likely to proceed by the end of March.

But they equally made clear they were under no beaded off all prospect of a two-way BAe-Dasa merger. The negotiations between

Lagardère and the government are understood to concern both the eligibility of Lagardère employees for any special terms offered to their Lagardère itself is set to emerge with.

Neither Lagardère nor the French finance ministry would comment.

Under plans for the Aerospatiale-Matra merger outlined in July, the govern-Indicated that ment Aerospatiale employees would be "associated more directly with the development of the company through an offer to buy reserved for them". It also said the combined stake of the public sector and employees in the new group

would be above 50 per cent. As well as France's Airbus interest. Aerospatiale also produces belicopters, missiles and space launchers. Lagardère will put into the new group its 100 per centowned defence systems and ernment plan aimed at information activities as well as its 50 per cent stake son CSF and Aerospatiale. in Matra BAe Dynamics, a missile venture with BAe, its 51 per cent holding in Matra Marconi Space, a venture Sources close to Aerosna- with GEC of the UK, and 50 tiale-Matra merger negotia- per cent of Matra Nortel, a communications venture.

The Digital TeleNetwork



US rejects German call many's Dasa to proceed with taken from the 30-33 per cent their own two-way tie-up stake in the new grouping on Nato nuclear stance

hington and Frederick

The US yesterday rejected calls from the German government that Nato should consider committing itself never to use nuclear weapons first in a conflict. With Rudolf Scharping.

German defence minister. visiting Washington, his US counterpart described Nato's efusal to commit itself to No First Use as "something that's integral to the Nato strategic doctrine". William Cohen, US defence

secretary, said at the Pentagon: "We think the ambiguity involved in the issue of the use of nuclear weapons contributes to our own security, keeping any potential adversary who might use either chemical or biological (weapons) unsure of what

our response would be. "So we think that it's a sound doctrine. It was adopted certainly during the cold war, but modified ... and reaffirmed fol-

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war. It is an integral part of our strategic concept, and we think it should remain exactly as it is."

Mr Scharping, who yester-day met Madeleine Albright, US secretary of state, is due to meet Mr Cohen today. Yesterday, the German government moved to play

down the differences with its Nato allies. But a foreign ministry spokesman insisted the adoption of No First Use was a valid discussion point. Since Nato last drew up a strategic concept at the end of the 1980s, the geopolitical situation had changed with

stand-off and the unification of Germany.

the ending of the cold war Nato is due to agree a new

strategic concept" in Washington next April marking the organisation's 50th anniversary. The German stance, enshrined in the programme of Chancellor Gerhard Schröder's "red-green" government of Social Democrats and Greens, has raised con-

to continuity in foreign pol-

Earlier this month, Germany broke ranks with its Nato allies when it abstained on a United Nations motion concerning nuclear disarmament put forward by nonaligned countries.

In an interview with Der Spiegel magazine published yesterday, Joschka Fischer, German foreign minister and Green party member, said he had told Javier Solana, Nato secretary-general, that Germany wanted to discuss No First Use "because we see things differently".

"There are no longer divisions of tanks standing on the inner-German border and able to break through to the [English] Channel in 48 hours," he said.

"That was the situation on which the atomic weapon planning was based. We must discuss this openly in the alliance without allowing the impression to emerge that Germany is now plan-

cerns among Germany's Strike hits passenger and goods traffic

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enhance the efficiency of rail freight. Neil Kinnock, EU transport commissioner, said all countries understood that the huge loss in rail's share of the freight market had to

European Commission plans series of measures to encourto liberalise freight traffic age business to transport severely disrupted the flow more goods by rail, relieve

cent of their freight markets transport.

The Commission wants be reversed if it was to surcountries to open up 25 per vive as a significant mode of

of passengers and goods in six European Union coun-

France two thirds of SNCF trains, the state-owned railway operator, were cancelled. Traffic flows suffered in Luxembourg and Greece, while Spain's Renfe rail company said it managed to operate skeleton services without difficulty. Portugal suffered minor traffic disrup-

road congestion and improve the environment.

م كنا من الاعل

to competition within 10 years. It sees liberalisation Strikes to protest against as the most important of a

However, the Commission Rail traffic in Belgium said yesterday that liberalisation would take years to achieve and was not on the agenda of a meeting of EU transport ministers next Monday. Ministers would be discussing measures to



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ist Lurope end slower. or erratic

Wer currency

ECS Water

The sales of the last line and

100

By Leyla Boutton in Ankara and Paul Betts in Milan

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Mesut Yilmaz, Turkish prime minister, yesterday made a last ditch attempt in parliament to defend himself take over from Mr Yllmaz against corruption charges already underway, Turkey before facing a vote of censure tomorrow.

days in office are numbered, Mr Yilmaz was allowed only three minutes in which to make his case against allegations he facilitated a corrupt parliamentary vote.

With behind the scenes negotiations on the shape of an interim government to continued to raise the stakes yesterday in its bitter diploin a clear indication his matic row with Italy.

Turkish officials and companies announced new sanctions against Italy for its refusal to extradite Abdullah Ocalan, leader of the Kurdish Workers Party (PKK).

party acknowledged he was Ankara accuses Mr Ocalan Italian commercial interests In Ankara yesteruay now-likely to lose tomorrow's of terrorism and blames him and said his government was ever Mr Yilmaz was fighting and said his government was ever Mr Yilmaz was fighting the said of for his own political surfor a war that has cost 30,000

lives. Turkey will cease cable Ocalan. broadcast of two Italian state-run television channels, Rai-1 and Rai-3, while Arif Denizolgun, transport minister was quoted as saying that Turk Telecom, the state-owned utility, would halt all business with Italian

companies. Massimo D'Alema, Italian prime minister, attacked Ankara's decision to boycott

30

5.2

6.0

6.7

1.0

40

-24

-60

10

59

cent next year with the

increase from 1998 largely

because of the return to mar-

Romania, the fourth largest

casts a further rise in output

of 5 per cent in 1999 follow-

Hungary too is expected to

grow strongly after overcom-

is forecast to rise by 4.4 per

EBRD 1998 Transition

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cent next year.

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Slovak Republic 5.0

law in its handling of Mr

Mr D'Alema's government also had some pointed words for Germany. Lamberto Dini. foreign minister, said Italy had arrested the Kurdish militant leader because of an international arrest warrant issued by Germany. He said Rome had not done this to "keep him in Italy", implying that Germany should

now request his extradition.

merely following the rule of for his own political survival. He dismissed as "all lies" the corruption allega-

tions which Deniz Baykal, head of the left-of-centre CHP party, cited as the reason for withdrawing support for Mr Yilmaz's fragile coali-

Mr Baykal is spearheading tomorrow's censure motion together with Fazilet (Virtue), the Islamist party which could gain the

Before Mr Yilmaz was able to proceed further with his defence in parliament, he was cut off by the speaker who said the prime minister was entitled to only three minutes. Agah Oktay Guner. deputy chairman of Mr Yilmaz's Motherland party, conceded the government would not survive tomorrow's censure motion. But he said Mr Baykal had denied Mr Yil-



Meaut Yiknaz, Turkish PM: fighting for his position

EBRD TRANSITION REPORT

East Europe trend 'slower, more erratic'

The transition to market economies in East Europe and the former Soviet Union has been "slower and more erratic" in 1998 than in any year since the collapse of communism, according to the European Bank for Reconstruction and Develop-

ment Moreover, the gap between the countries of central and eastern Europe, and most of the former Soviet Union excluding the Baltic states ~

"Countries which have ing at barely half the 1989 balanced privatisation and liberalisation with deep been more resilient to recent

EBRD in its 1998 Transition Report, published today. Hungary and Poland, the tough structural and institusurvived "the stress-test" of

global financial turnoil. The striking contrasts in short-lived. the region show that stabil-.dve corporate governance Nick Stern, EBRD chief

Financial sectors in much of east Europe and the former Soviet Union remain significantly underdeveloped" and are failing to deliver crucial services to the real economy.

According to the report "stunted", particularly in lending to the private sector. compared with those of market economies at similar lev- tic that growth in these els of development elsewhere

Economic indicators for suro-11 countries

kets in the region "remain

small and function poorly". The performance gap between the countries of central Europe and most of the former Soviet Union, excluding the Baltics, is wid-

ening alarmingly.

Five countries, Poland, Slovenia, Slovakia, the Czech Republic and Hungary, are now exceeding or are close to achieving output levels of 1989, while recovery has barely started in much of the former Soviet Union. with gross domestic product in many states still languisb-

Russia's economic colinstitutional reforms have lapse, in particular, has exacted a heavy toll in the region, pushing it back into recession. The contraction is forecast to become more severe next year. The in 1999, however. It forecasts leaders in pushing through achievement of overall eco- a rise in output of 3.6 per nomic growth in the region tional reforms, have best last year, for the first time since the collapse of the Berlin Wall, has proved ginally positive growth in

The EBRD forecasts a economy in the region, after kets with competition and mer eastern bloc of 1 per financial discipline, and pri- cent this year and 2 per cent vate ownership with effec- in 1989. The fall is primarily however, where GDP is expected to decline by 5 per cent in 1998 and 7 per cent in

> Growth in central and east Europe and the Baltic states (excluding the Commonwealth of Independent States) is slowing for the is forecast by the EBRD to fall to 3 per cent this year from 3.6 per cent in 1997 and a peak of 5.5 per cent in 1995. The bank remains optimis-

Moscow is warned of dangers in resorting to printing money

But EBRD still sees little sign of a realistic

still show "little sign of the daunting fiscal problems has become one of the bigfacing the country since it gest investors in Russia, collapsed into economic tur-

moil in the summer. The EBRD warns in its 1998 Transition Report that the former communist eastprinting money, the Russian ern bloc countries. government's "likely reac-tion" to the crisis, will lead to high inflation and hardships for the population with sharp increases in pov-

erty and mortality." If reforms are to be implemented in Russia, a new and viable political consensus is required. But it is difficult to see such a consensus emerging rapidly, despite the fact that "the costs of prolonged delay are likely to be

Outside assistance can be helpful, but any solution will

response to turmoil, reports Kevin Done he Russian authorities depend "primarily on domestic decisions and leadera realistic response" to ship," says the bank, which since it was established in 1991 to support the transition to a market economy in

The government has failed to break the political stalemate in the face of powerful vested interests. It remains reluctant "to accept the social and political consequences associated with resolving problems of such great magnitude," says the EBRD. Priority must be given to tackling the fiscal

collapsed financial sector. in the absence of other sources of funds a tightening in state finances equivalent

to 5-6 per cent of gross

crisis and to rebuilding the

tial" in coming months to achieve a balanced budget. Such fiscal austerity of the estimated 5 per cent of GDP in sovereign debt ser-vice that is due in 1999, but the EBRD accepts there will be strong pressures to res-

chedule some of these payments. The restructuring of the banking sector must be

undertaken urgently. Banks of strategic importance that are viable must be put into rehabilitation with the state injecting capital, acquiring a controlling interest and replacing managements. Non-viable hanks must be liquidated. Bank restructuring must be open

and transparent. "If the process reflects discrimination or cronyism, the old problems are likely to return," warns the report. According to the EBRD tude of Russia's problems alism, Page 20

the root cause of the turmoil in Russia lay in large part in the failure to confront the problems of enterprise and manipulative vested interests both from old structures and the new oli-

garchs". The Russian privatisation model left control of most companies in the hands of

'A new and viable

existing managements.

political consensus

is required'

which succeeded in blocking reform and restructuring. "The Russian experience is the most powerful example of the damaging consequences of insider ownership, which are particularly severe, when insiders have

strong ties to government," says the report.

warns that similar processes countries across the region. reform. The government particularly but not exclu-failed to overcome "strong sively in the Commonwealth

of Independent States. sian state created ample opportunities for managers and bankers to "capture" politicians and bureaucrats at every level of government. "This was a fertile environment for the growth

of corruption." Russia's actions now are giving crucial signals to investors for future investments. The report says it is vital the economy is not further undermined by "discriminatory tax collection. misguided direction of investment, heavy subsidies and avoidance of restructuring or closure of non-viable companies."

A vibrant and entrepreneurial private sector has emerged in Russia, says the bank. It has suffered deeply in the crisis, but remains the inherited or developed main hope for Russia's eco-

The EBRD says the magni- Death of Russian market liber-



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Battle lines are drawn over currency targets



Lafontaine, has hit a raw nerve among central bankers with his proposal to introduce target cones for the world's leading currencies to stabilise exchange rate fluctuations. Last Friday, Wim Duisenberg, president of the European Central Bank, and Hans Tictmeyer, president of the Bundesbank, both publicly rejected the idea as

undesirable and unfeasible. They received powerful support from Alan Green span, chairman of the Federal Reserve Board, and Eddie George, governor of

the Bank of England. Target zone systems can take different forms. One well as price stability. The possibility is a system of two targets could conflict. semi-fixed exchange rates against an anchor currency. such as the dollar or the euro. The other currencies D-Mark and the yen during are allowed to fluctuate the 1990s cannot

of a central exchange rate. If a currency hits the floor or ceiling of its fluctuation margin, the central banks intervene to stabilise the rate. Less formal arrangements are also possible.

The debate about

exchange rate target zones is ause and effect. The central bankers argue that target zone systems, such as the Bretton Woods system, were tried and failed. Currency fluctuations, they say, are not the cause of economic misalignments but a symptom. Currency fluctuations, they say, can act as a useful shock absorber when countries experience economic shocks.

Given that many central banks follow a price stability target, the bankers argue that if politicians were to set target zones for exchange rates, the ECB and other central banks would have to target the exchange rate as

Proponents of target zones

argue that much of the vola-

tility between the dollar, the

within a margin either side explained on fundamental grounds because all three countries experienced rela tively low and stable inflation rates throughout the Peter Bofinger, dean of

economics at Würzburg University, for example, argue main cause of instability in the international economy He suggests a return to the Bretton Woods system. In the US, Fred Bergsten, director of the Institute for international Economics in Washington, is the most prominent proponent of a system of formal target

The issue remains unresolved. Mr Lafontaine has become less vociferous of late, but his ambition to end two decades of laissez-faire international economics remains unbroken. He has promised a European initiative in due course.

The battle lines are drawn but the forces may be unevenly matched. While the central bankers agree

Barcelona is probably the city which is mostly committed to design in every field being the series a strong around its streets, go into bars and shops galleries or visit its unique new or historical buildings to feel design culture is there had buildings to considered the cradle of industrial and graphic, isship and urban design. Barcelona has managed to strengthen and subsance the large baseline managed to strengthen and subsance the large baseline managed to industry to increase value of products and services. Design is regarded by most every new business or active as there of key important to the large baseline and future needs. Design for the week decision to establish its headquarters in Barcelona is just one more sign data proves it. There is no the state of Barcelona is moving at a spectacular.





Azerbaijan 'faces loss' if Turkey pipeline is chosen

revenues from 2005 If the reduce the dependence of government of President Heydar Aliyev decides to Soviet republics in the ing the \$10bn-\$12bn developsupport the proposed Baku- Caspian Sea region on Ceyhan main export route Russia.

politically attractive of the clauses in the production Azerbaijan could lose as three options under considmuch as \$500m a year in oil eration, given that it would Azerbaijan and other former

for Azeri crude. But western oilmen say Sea.

Mr Aliyev - who has the much of the added cost of Most shareholders in the

sharing agreement with the Azerbaijan International Operating Company, the 11ment of three big offshore fields in the Caspian

final say on the pipeline's going to Ceyhan, instead of British Petroleum-led AIOC finance. to Supsa in neighbouring are said to favour the Supsa backed strongly by the US the Azeri government. That gate AIOC president, yester- pressure on AIOC and its

day told a conference in London that "all options are still open", including a possible northern line to Novorossiysk in Russia

He said AIOC understood the sensitive geopolitical concerns underlying the pipeline debate. But he emphasised that the chosen route must be able to attract

in recent weeks Turkey Georgia, would be borne by route, although John Leg- has increased the political

2,000 km Ceyhan route. which carries an estimated cost of \$3.76n, compared it will not buy Caspian oil mendation could emerge aswith \$1.8bn for Supsa and \$2.5bn for Novorossiysk. The line to Ceyhan. cost per barrel of sending crude via Ceyhan is expected to be around \$4, against \$2.

Last week announced restrictions on dealings with BP and Amoco, The two companies.

than a third of the shares in AIOC. Turkey has also said Although a final recomunless it is delivered by pipe-

Turkish officials complain that AIOC cost estimates for the Cevhan option are inflated. They believe it can be built for about \$2.2bn. tion". Turkey has yet to give AIOC admits "there is more contingency in our estimates", but says there are

technical specifications.

joint Azeri government/AIOC committee is this



BANANA DISPUTE BRUSSELS SETS OUT CONDITIONS FOR SETTLEMENT AT WTO

EU will accept peace offer if US drops threat

The European Union eral measures to be taken yesterday indicated it could accept a US peace offer of arbitration through the World Trade Organisation to EU's banana import regime but only if the US response to Washington's suspended a threat of unilateral sanctions. Sir Leon Brittan, EU trade

commissioner also said that the EU would launch tomorrow a separate WTO challenge to the US domestic leg-islation, Section 301, on US suspended its timetable which Washington is basing for imposing trade sanctions

against trading partners. The EU says imposing them would violate WTO rules. Sir Leon wrote to Charlene Barshefsky, US trade representative, with a formal offer last Thursday to seek an accelerated disputes

dispute. He said the EU would

301 allows in theory, unilate falls to amend its banana argues that changes intro- if necessary, an appeal. Sectic legislation from any WYO regime to Washington's satisfaction. Washington also far enough to comply with had to undertake to accept the ruling, even if it went

Washington says the hanana regime, which gives preferential access to the EU for bananas from former British and French colonies panel ruling from the in Africa, the Caribbean and WTO on the banana the Pacific, unfairly discriminates against US companies that distribute Latin American bananas.

The WTO upheld a US isation for retaliatory meacomplaint over the regime

duced by the EU do not go ond, that, in the event of a the WTO ruling. It has threatened sanctions which could take effect as early as February 1 - if Brussels does not make further changes by

that the "EU remains ready to co-operate with the US" in a WTO panel, but attached specific conditions. "First, not to seek author-

January I.

would not exercise its domestic trade legislation authorising sanctions until

panel ruling against the

US... the US would accept

The letter received a cau-

tious initial response in

Washington, Jay Ziegler, the

made clear last week it

"Just as the EU has applied its own domestic standards throughout this dispute, so we believe that doing so is fully within our WTO rights," Mr Ziegler

in solving this issue through the WTO, and not because we are obligated to take this extra step that we proposed last week, but as a good faith effort to solve the prob-

Israel reduces its forecast of export growth

israeli exports will grow only 3.1 per cent in 1996, the slowest rate in 15 years, with diamond and electronics companies hardest hit by the Asian economic crisis, the Israel Export Institute said yesterday.

The institute, a trade promotion group, said the ter than exports." decline from last year's export growth rate of 9.4 per cent will cost the Israeli economy \$1.4bn, more than 1 US, have fallen 27 per cent in per cent of gross domestic the year to October comproduct. The institute pro- pared with the same period ects exports - the engine of srael's economy - will grow only 2 per cent next year. Sluggish export growth

will complicate government efforts to revive the economy, which is expected to grow only 1.5 per cent this not resping the benefits of a ong-awaited devaluation of the shekel, since interest rates remain high.

recently raised its key lending rate 4 percentage points in as many weeks to 135 per cent, to stem a surge in inflation caused by a sharp

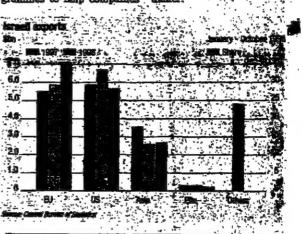
devaluation of the shekel. "We are also asking the special marketing pro-

said Daniel Bloch, spokesman for the Export Institute. Israel's trade deficit has narrowed over the past year. from \$5,47bn in the first 10 months of 1997 to \$3.65hn in the period this year. "But that is no consolation," said Mr Bloch. "Imports have been slowing down even tas-

Exports to Asia, Israel's third largest market after the European Union and the in 1997, Israel recorded a \$250m trade deficit with Asia in the first 10 months of the year compared with a surplus of nearly \$1bn in the same period last year.

tional analysts, said Israeli defence exports had declined sharply from 28 per cent of total exports a decade ago to 11 per cent in 1997. . . .

Israel Aircraft Industries the state owned defence group, remains the biggs exporter. But the top if exporters are now doming Sea Works, the chemical



NEWS DIGEST

INTERNET PRIVACY

EU-US clash on personal data directive drags on

The European Union and the US are unlikely to resolve a dispute over a Brussels data protection directive before the end of the year, a Commission official said yesterday. Last week, member states concluded that US proposa designed to give personal data sent from the EU equiva-lent levels of protection were inadequate. The law, which came into force last month, empowers national data regulators in the EU to halt exports of personal data to countries they judge do not have adequate protection arrangements. The US has proposed ensuring data protection through voluntary self-regulation by industry.

The two main sticking points concern arrangements for ensuring that individuals can obtain information about the

nature and use of personal data held by companies, and systems of redress when individuals complain about how personal data has been used. Emma Tucker, Brussels

GLOBAL TELECOMS

NTL and C&W share award

Barclay Knapp of NTL and Dick Brown of Cable and Wireless have been jointly named chief executive of the year in the first Financial Times global telecommunications awards. Established to recognise innovation in 11 industry categories, the awards were presented at a dinner held last night in New York's Rocsevelt Hotel.

Norweb's digital power line was judged the most innovative fixed product, while Logica's M-Commerce won the mobile category. Kenan Systems Arbor took the award for best billing system, WinStar Communications of the US had the most innovative broadband development strategy and Celinet's Genie was judged the best use of internet and Cellnet's Genie was judged the best use of internet technology. The most competitive carrier was Matrix of Hungary, while Coft took the award for best newcomer. Eircell of Ireland and WinStar were joint winners of the most effective marketing campaign. Unidial made the best use of its website and Orange had the best customer care campaign. Alan Cane, London

INDIA INSURANCE

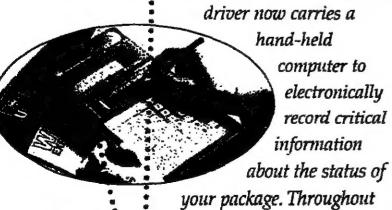
Foreigners can buy stakes

Foreign insurers are to be allowed to buy up to 26 per cent of private Indian insurance companies once the sector is liberalised, Yashwant Sinha, finance minister, said yesterday. Non-resident Indian investors could hold a further 14 per cent. Parliament will be asked soon to amend laws ending the current state monopoly and allowing private insurance companies. Mark Nicholson, New Delhi

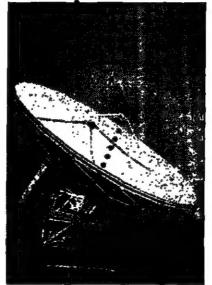
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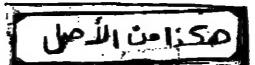
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REUIERS 9



DOCUMENTS DISPUTE BAGHDAD WRITES TO UN TO EXPLAIN REFUSAL TO RELEASE PAPERS

Iraq accuses Unscom chief of 'concocting' crisis

accusations against Richard resume co-operation, and Butler, the chief UN weap- said Mr Butler had raised old ons inspector, and said it issues to delay the lifting of had written directly to the eight-year-old United also hear Mr Butler's assess-United Nations Security Council to explain its refusal to hand over documents to weapons inspectors.

Riad al-Qayst, deputy foreign minister, said Mr Butler was "concocting" a crisis over documents and that he hoped the Security Council. which was meeting yester- chief weapons inspector. Mr day to discuss the dispute over documents, would see that the picture drawn by the chief weapons inspector was "without perspective".

The dispute is threatening to spark a new crisis over Iran, just over a week after the US called off military strikes and Baghdad reversed its ban on all weapons inspections.

The letter sent yesterday by Tariq Azia, deputy prime substance of the comprehen-

By Mark Turner in Nairobi

Kenya's Central Bank has

appointed an adviser to help

manage the National Bank

of Kenya (NBK), the coun-

lowing a Ks2bn (\$34m), gov-

ernment bailout after

rumours of illiquidity

prompted account holders to

withdraw Kst.5bn last week.

'The unnecessary with-

severe pressure on the rescue packages.

drawal of deposits has put

liquidity position of the

Nyachae, the finance minis-

worse by its non-performing

loans, including some owed

over the weekend.

tiv's fourth largest bank, fol- fall.

Iraq yesterday stepped up its reneging on its pledge to Nations sanctions. Iraq told Mr Butler last week that several of the 12 documents he

ally destroyed. Mr al-Qaysi said the issue of the destruction had been successfully resolved in 1994 with Rolf Ekeus, the former al-Qaysi read parts of a letter Mr Butler does not want to in which Mr Ekeus said he believed the information provided by Iraq on unilateral destruction of documents appeared comprehensive and

sufficient.
-What Mr Butler contends is totally unwarranted," said Mr Qaisi, "We cannot interpret his position except in one sense: that he wants to manipulate the timing and

months of instability among

Kenya's smaller banks, and

growing speculation that

NBK. in which the govern-

ment has a minority share-

holding, could be the next to

placed five banks under stat-

utory management over the

past two months, including

Analysts have played

tagion, as the five have com-

But they say that if the

assets worth Ks23bn, the

effects could be far more

pen to NBK, one would see

"This has been made National Bank fell, with ors directly to the bank. He

"If anything were to hap- moved quickly.

said Simeon down the possibility of con-

ter, at a press conference bined assets of only Ks15bn.

The Central Bank has

Kenyan central bankers act as

Kenya's seventh largest cially as its customers

bank. Trust Bank. All are included thousands of teach-

vants.

attempting to piece together ers and other public ser-

bank comes under pressure

minister, refuted suggestions sive review." This examinaby Mr Butler that Iraq was tion of sanctions will be Baghdad's first chance to put its case for lifting the sanctions directly before the Security Council, which will ment of how far Iraq has moved on disarmament.

But the review can only requested had been unilater- take place after Iraq's commitment to resume co-operation with inspectors is tested. The US has said it remains ready to strike Iraq if Raghdad fails the test.

With the latest episode, take us to the light at the end of the tunnel" of sanctions, Mr al-Qaysi said. "What we see is the light of

a locomotive coming at comments by Mr Butler in which he cautions against over-reacting over documents and says his requests inspectors will conduct.

commercial sector," said a

senior figure in the Kenya

He suggested that deposi-

tors fleeing from smaller

banks might question the

top-flight banks as safe

havens, but added that the

government was unlikely to

allow NBK to collapse, espe-

Mr Nyachae moved rapidly

to restore confidence over

the weekend, saying that the

government would pay

added that a further Ks2bn

could be recovered if the

country's commercial courts

money it owed to NBK debt-

banking community.

wider repercussions in the NBK's bad loans is still

London: Derek Fatchett, a UK foreign office minister, said yesterday the UK would support efforts to bring Saddam Hussein before an international tribunal on charges against humanity.

Mr Fatchett held talks yes terday with 16 Iraqi opposition groups. While stressing it was not a goal of UK foreign policy to topple Mr Saddam. Mr Fatchett said his government would work with the groups to produce "a vision of an Iraq without Saddam Hussein: more open, more pluralistic, more demo-

He added he had asked the groups to come up with firm fraq." Baghdad's attempt to proposals which could be justify its position follows presented during talks today with Martin Indyk, US assistant secretary of state. Mr Fatchett said he would look at plans to provide the groups with equipment to

unclear, and analysts are

asking whether the bailout

is sufficient. "Personally, I

enough," said the senior

Mr Nyachae blamed recent

speculation about NBK on

disgruntled small bank own-

ers, which he said hoped to

force the government into

easing Kenya's 13 per cent

But both the finance min-

ister and the central bank

cash ratio requirement.

out private banks.



CHILD NUTRITION KENYAN BISCUIT MAKER'S FOOD PRODUCT COULD IMPROVE DIET OF POOR

Feasting on famine food

By Mark Turaer in Nairobi

Kenyan company's ambitions to place its specialised famine relief goods on the wider baby food market have cut to the heart of a growing debate in the aid world: how to harness private industry for develop-

For the past 10 years, House of Manji - best known to Kenyans as a household biscuit manufacturer - has been carving out a name for itself as a smallscale but flexible producer of high-energy protein-enriched biscuits, shipped by the World Food Programme to feed displaced people throughout East Africa. With help from the UN's

child health arm Unicef and the WFP, it recently expanded into the world of blended food, producing a enriched with the correct vitamins and minerals, offers famine victims a balanced diet which is both cheap and accessible.

have insisted that they will "It is not too expensive, and it doesn't change feednot sacrifice prudential and fiscal management to bail ing habits," explains Stuart Allison, from the House of An International Monetary Manji's famine product divi-Fund mission left Kenya yes-terday after examining the sion. "It is very similar to ground maize, and can be state of the country's bankused to make ugali [corn ing sector, and is expected to meal), chapatis and buns."

blends can significantly improve children's brain development has prompted the company to look to a potentially far larger and more stable market - baby

In a continent where mother's milk is often HIVinfected, and traditional growth deficiencies, babies and small children could benefit substantially from more balanced products. as long as they are affordable. There is a real problem

culate them to earn money on the side. Social marketing also helps to side-step the accompany products associated with aid agency

for pretty packages, and

enables the groups that cir-

Mr Allison is wary, for example, not to suffer the same fate as an Ethiopian

ble to sell after it was dis-Micronutrient-enhanced blends can

trying to get the right vitamins and minerals to the ing the mid-1980s. juvenile population," says ing to get our product into local orphanages, churches

and women's groups." His chosen strategy using community networks to promote a product withhype - is an increasingly interesting technique being developed by aid organisations, known as social mar-

It has two advantages: first, it allows a far cheaper

keting.

corn-soya blend known as

improve children's brain development tributed by aid groups dur-

> People would not buy it any longer, as they saw it as a free product," he said. With social marketing there is no need to establish a high-profile brand, which can later lose value and sink the product.

Keen to spread cheap but effective nutrition to the wider community. Unicef and a large bilateral aid agency, which has asked not to be named, have started analysing the Manji product for effectiveness, and plan to start a feesibility study on

micronutrient-enhanced populations to acquire bene-blends can significantly ficial goods without paying year. If the results are posiyear. If the results are posi-tive, they will help House of Manji gain access to community organisations.

"This product could be good for everyone," said a nutritionist with the aid branding pitfalls that can agency. "If it actually reaches our target population, it would be terrific."

Yet a fundamental problem remains: if non-profit organisations are seen to be helping a private company, they can find themselves in philosophical hot water and lose the support of their fun-

Marinus Gotink, a nutritionist from Unicef. was clear about his organisa-. tion's position: "Yes, we are discussing how to create a broad base for products of the type they are marketno business in promotion. We do not want under any circumstances to link the Unicef logo and name to a private company.

The key, says the nutritionist, is to establish without any room for doubt the product's effectiveness, and then to ensure it is sold on a virtually non-profit

But the irony is that without Unice's initial support. House of Manii might never have developed the blended

Corporate radar.

FINANCIAL TIMES No FT, no comment.

FINANCIAL TIMES TUESDAY NOVEMBER 24 1008

حيكنا من الاعل



What, exactly,

is the best way to

share

a thought?

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data deflate optimism

By Louise Lucas in Hong Kong

Climmers of optimism on the Hong Kong economy were dashed yesterday by government figures showing negligible inflation and the biggest drop yet in retail

The consumer price index in October was only 0.1 per cent higher than the previous year, showing that Hong Kong is firmly on track to enter a period of deflation.

This undermines one of the strongest indicators for recovery - lower interest rates. Deflation means that while the nominal level of interest rates is falling, real rates are rising. "Finally we've got bingo here," said Dong Tao, senior economist at Credit Suisse First Boston. "Deflation is going to be much worse than the government predicted. It's going

seen the beginning of this." More gloom was provided by the retail statistics for September, which showed a year-on-year plunge of 21 per cent in volume terms and 22 per cent in value terms. Retail sales have been falling steeply throughout the year but the September figures showed the biggest yearly decline so far. Cars took the worst hit, with sales down 53 per cent in value. The government attributed the retail slide to depressed consumer sentiment, a result of volatility in the financial markets.

However, stability started to return to the markets in September. August was Hong Kong's worst month show a decline in third-quarafter a speculative attack on ter gross domestic product of

Janata party (BJP) this week

faces a jolting reverse in its

first electoral test since tak-

ing office eight months ago,

Up to 83m people can vote

tomorrow in four state

assembly elections in Mad-

hya Pradesh, Rajasthan,

Delhi and the tiny north-

The polls are seen as a ref-

eastern state of Mizoram.

opinion polls suggest.

launch an unprecedented buying spree on the stock

That move, aimed at eliminating speculators from the market, was a qualified success but the intervention the minds of international investors and the public.

By the end of September, interbank interest rates which had soared during the speculative attack - had softened. This prompted the commercial banks to cut their lending rates, most Lower interest rates deliv-

ered a boost to sentiment and helped property prices creep upwards in recent weeks. Crowds of buyers at the weekend, buying some 85 per cent of the 1,268 flats on offer.

That interest is likely to be tamed as deflation erodes the cuts in interest rates. factor behind the flat inflation was the government's property rates refund in the fourth quarter to help stimu-

But Mr Tao added that rentals are also dragging inflation down. Residential rents are fixed for 12 to 15 months, which means falls in rents lag those of property prices and are only just starting to make an impact. Other negative indicators for the economy include unemployment at a 17-year

high and expected to climb higher. Government figures due on Friday are forecast to

states of Madhya Pradesh,

Rajasthan and Delhi could

rock the BJP's increasingly

fragile governing 18-party

coalition, formed after last

Such a result may galvan-

ise a newly confident Con-

gress party, the biggest

national opposition group-

ing, into manoeuvring to

oust the BJP from power. "If

Congress wins all three

April's general elections.

Hong Kong | Worst of Asia's crisis 'may be over'

institution, said some countries still faced a long road to recovery and were not likely to see positive gross territory next year although domestic product growth the rate of economic contrac-

Overall economic growth ted to slow. for the 23 Asian developing countries, excluding Japan, surveyed by the ADB was

However, the aggregate crisis seen in Asia over the forecast was bolatered by relpast 18 months may be over, arively insulated China and the Asian Development India, which were forecast to Bank (ADB) has forecast. see 6 per cent and 5.2 per Jungsoo Lee, chief econo- cent growth respectively in mist at the Manila-based 1999.

Indonesia, Malaysia, Korea and Hong Kong were forecast to remain in negative tion in the region was expec-

"A return to more normal levels of economic growth,

Mr Lee said

He said that past studies indicated that a recovery from a "relatively simple" currency crisis focused on current account problems tended to take about a year. More systemic crises involving the banking sector tended to take an average of three years to resolve.

Mr Lee said also it would be "very difficult" for Asian countries to achieve a recovery in export growth while nestic demand in the region remained subdued.

cent in 1999 after a 1.9 per few more years. Systemic crisis in the region, intra-cent decline in 1998. Grises take time to resolve," regional trade accounted for subdued at best. 53 per cent of Asian exports.

He said that in the past

decade, much of the growth

in Asia had been supported

by large capital inflows but

While private capital out-

likely to face outflows.

for the region was the \$30bn stimulus package provided by Japan and a likely improvement in that couptry's economy following long-awaited reforms. "My view is that Japan is very close to or may have even

flows were expected to fall passed a turning point." from \$24.6bn in 1998 to However, risks remained 15.1bn in 1999, official fund for Asia, including political inflows from sources such as instability and structural multilateral agencies were problems in China in the expected to drop to \$5bn banking sector and statefrom \$28.3bn over the same owned enterprises. M.G. Quibria, ADB assistant chief Mr Lee said although the IIF forecast may be pessimis-

He said a positive factor

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linisters in

Fazil quit

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AU ISLANDS : A

a co-operation rejected

as a core sugarity concern

difficult to for Asian countries to revive confidence

Tokyo thrown

Indonesia riots 💹 'provoked' by power struggle

politicians in Indonesia yesterday said the latest outbreak of religious riots was provoked by political power struggles and warned of more violence as the death toll from the clashes rose

Rescue workers yesterday pulled eight bodies from a torched gambling hall, the first of dozens of buildings burnt or damaged in riots on Sunday. Six men had been stabbed and beaten to death in clashes between Catholic Ambonese and large gangs of Moslems, which sparked a series of attacks on Christian churches and schools.

Abdurrahman Wahid, leader of the largest organisation of orthodox Moslems. joined Megawati Sukarnoputri, the opposition leader, in

Most opinion polls have

suggested the electorates

will once again vote strongly

against the incumbent party.

following the pattern of

recent Indian elections. Half

the sitting MPs before the

last general election were

This trend would see Con-

gress winning in Rajasthan

and the symbolically impor-

tant Delhi, while offering a

small swing to the BJP in

shows the BJP lagging in all

three main northern states.

The poll of more than 12,400

The latest and hms

voted out of office.

Madhya Pradesh.

the BJP in the northern to oust Congress from Mad-

was not spontaneous," newspapers quoted them yesterday as saving. "There were certain groups of people who purposely led the mobs to destroy churches. We must be wary of their tricks." Many Indonesians have

including President B.J. Habibie, both in reaction to Sunday's riots and to violence in recent months. prits but there are signs that Indonesians are being pro-

nade such statements.

voked into religious strife even when there is no reli-Some of Sunday's rioters waved flags of a Moslem party, which yesterday disclaimed any role in the clashes and suggested that

the flags had been stolen.

Earlier this month, gangs of

swing towards Congress in

cent swing to Congress in

Rajasthan, which the BJP

has held in two previous

elections. The projected swing to the BJP in Madhya

Pradesh might not be suffi-

The poll also finds, as have

most others, that voters

across north India are preoc-

cupied with the recent sharp

rises in food prices, notably

onions and potatoes, though

the BJP government rode an

In Rajasthan, where the

five nuclear test blasts.

cient to give it victory.

- a traditional BJP

Many fear increased reli-

cent of respondents said the

nuclear tests would influ-

cent said they would not.

Rajasthani voters' concerns.

resultant political manoeu-

vring are likely to dominate

the re-opening of India's par-

liament for the winter ses-

ston next Monday - a three-

week sitting with a heavy

legislative agenda, including

several crucial economic

place further distance

between the Hindu national-

allies, some of which have

A strong electoral rebuil



paid to protest in support of the government, donned Islamic headbands and shouted "Allah is great" as they clashed with student protesters who lacked any religious agenda.

Mr Wahid and other reli-

gious leaders have accused the military of organising a spate of attacks on sorcerers and Islamic teachers of rival groups, killing more than calls for military rule.

At least 100 parties have reg-20 catering exclusively to

But Abdillah Toha, leader of a Moslem party, pointed to the democratic vote of 1955 to argue the campaign military and troublemakers stayed out of it. "There were lots of parties but there was no killing," he said, "The army did not interfere. When

governing record.

Rajasthani voters' concerns. smaller opposition parties, to The election results and seek to topple the BP and

ist party and its regional administration if the coali-

I UNITED STATES

gress would also increase

perhaps force fresh general

Sonia Gandhi, Congress

president, who is credited

with having instilled

renewed discipline into it,

has consistently said she

would not move unflaterally

to topple the BJP coalition.

But she has insisted Con

"constitutional responsibili-

ties" to form an alternative

would not shirk its

elections next spring.

BJP faces severe reverse in first electoral test

diate action as cabinet posts would be reduced when the number of ministries was reduced in line with reform proposals.

indicating their intent to form a coalition. But the recent tensions Thustrate the lack of firm agreement between the two sides. LDP leaders backing the coalition stressed that the

alliance would help stabilise the government and enable crucial legislation through the Diet. Although the emergency budget does not need tion dissolved under its own to be passed by the upper

into turmoil over coalition

The Japanese government was in turmoil yesterday ruling Liberal Democratic party to form a coalition with the opposition Liberal party came close to collapse. Ichiro Ozawa, leader of the Liberal party, criticised com-ments by LDP leaders sug-

gesting that policy agreeheads, not between the parties, and therefore not binding. He warned that unless principles agreed with Keizo Obuchi, the prime minister, were adopted, there would be no coalition and a general election should be held as soon as possible.

In particular, he said that an agreement to reduce the number of cabinet ministers from 20 to 17 should be curried out immediately in a abinet reshuffle. However, Yoshiro Mori.

LDP secretary-general, said there was no need for imme-

Mr Ozawa also indicated he was still aiming for a pressure from within that temporary freeze of the 5 per cent consumption tex. which Food prices were top of party, and from other is unacceptable to the LDP.

Mr Obuchi and Mr Ozawa had signed a document

a majority, legislation related to the budget and key bills to implement new US-Japan security guidelines will need Diet approval.

The coalition, which was agreed hastily without conducting the usual motions of building a consensus within the LDP, has sparked outcians who are antagonistic to Mr Ozawa. Junichiro Koizumi, former

health minister, criticised the agreement and said the LDP migdht have won the Liberal party's co-operation but it was unlikely to win the support of the public.

In a weekend poll by the liberal national daily, the Asahi Shimbun, 45 per cent of respondents disapproved of the coalition due to its ambiguous motives.

Many LDP politicians are unhappy about the alliance with Mr Ozawa, whom the party has long considered enemy number one. Mr Ozawa's departure from the LDP in 1993, which triggered a party split, was widely blamed for the party's loss of its upper house majority. Hiromu Nonaka, the powerful chief cabinet secretary, once went so far as to call's Mr Ozawa a "devil".

The Liberal party, meanwhile, risks losing the support of loyal followers who believed Mr Ozawa's aim was to force the LDP out of government and revolutionise Japanese politics.

If the return of Mr Ozato the LDP triggers the defection of the party's more liberal members, it may yet off, Mr Ozawa's Liberal party could face a slow route

M GERMANY

der opposition attacks of mismanagement, notably of The state elections are presiding over soaring food unusual in being a direct contest between the BJP and Analysts and opposition Congress. The BJP is fightpoliticians have suggested ing to retain control of Raja-

INVESTMENT OPPORTUNITY

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erendum on the performance major states, then it's the

of the BJP-led central gov- endgame for the govern-

ernment, which is reeling ment," said Jairam Ramesh.

"VIRUS"

Prospectus from HWB Touring Ltd 17 Bargate Close, New Malden, Surrey KT3 6BG Fax 0181 949 4107

Financial Times Surveys

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GLOBAL EMERGING MARKETS INVESTMENT COMPANY

We have the pleasure of invaling you to attend the Amoust General Meet Shareholders, which will be held on December 3, 1998 at 11,00 a.m. at the regis office at 47 Boulevard Royal, L-2448 Luverbourg, with the following agenda:

ed of the belance wheet, profit and loss account as of Septe ope to be granted to the Directors for the financial year or

JAPAN

	Paradi saling religion	Industrial propingion		Vecanity sets indicator	Invalid	Heinil pales yelesso	industrial production	Champ- Inguising come	Vacancy rate indicator	Composite leading indicator	Retail unites yraigene	hebathii production	(Anges) (Opension) (min	Name of Street, or other Persons.	Composite leading indicator
1968	113.0		5.4	104.9		122.6	118.1	2.5	135.2	98.4	109.1	106.3	6.2	165.1	92.7
1986	115,5		5.2	97.9		132.6	119.7	22	148.3	102.5	111.9	111.4	5.6	219.5	96,7
1990	116.2		5.5	82.7		141.6	124,5	2.1	149.8	99.9	119.7	117.2	4.8	261.9	98.3
1901	113,3		6.8	61.7		144.5	126.8	21	144.2	25.3	125.0	121.7	4.2	297.9	95.5
1982	117.0		7.4	8.16		139.7	118.0	2.1	124.2	91.0	122.8	120.0	7.7	287.9	88.5
1963	122,2		6.8	57.7		131,7	113.6	25	105.8	92.5	118.7	112.6	7.9	229.0	83.5
1964	129,2		6.0	79.0		129.4	1145	28	99.4	97.4	117.8	117.6	84	241.2	102.4
1995	132,6		5.5	79.3		128.4	118.5	3.7	103.2	99.6	118.5	119.4	8.2	268.3	99.1
1996 .	137.5		5.4	77.0		132.6	121.7	3.3	115.3	100.7	117.2	119.0	6.8	274.1	101.6
1997	143.0	141.4	4.9	79.0	128.0	132.0	126.8	3.4	120.8	97.5	115.7	112.5	9.7	282,8	109.2
3rd qtr.1997	4.8		4.8	78.8	128.0	-1.5	3.9	3.4	123.8	99.3	-3.1	2.7	10.1	285.6	109.5
4th qtr.1997	4.0		4.6	80.0	128.0	-29	-0.7	3.4	121,3	97.5	-1.6	3.3	10.3	298.3	109.2
1at qtr,1996	5.1	4.7	4.5	81.7	129,1	-9.0	-3.9	3.6	1128	96.5	0.4	5.7	10.0	318.6	111.5
2nd qtr.1996	7.6	4.0	4.4	80.3	128.3		-8.5	42	107.2	26.3	-1.5	3.4	9.8	384.1	111.6
November	4.2		4.6	82.6		-21	-2.7	3.5	119.2	96.2	-24	2.9	10.3	300.B	109.0
December	4.6		4.6	78.9		-44	-0.9	3.4	122.0	97.5	-27	3.2	10.3	301,6	109,2
Jenuary 1996	4.8	5.4	4.6	79.6	127.9	-1.8	-2.6	3.5	113,9	97.4	0.3	7.B	10.1	302.5	109.9
February	4.9		4.6	82.2	128.1	-5.2	-3.9	3.6	109.7	88.8	-0.2	4.9	10.0	317.5	110.9
Merch	5.5	4.5	4.7	83.2	129.1	~16.0	-6.1	3.8	114.7	95.5	1.0	4.4	10.0	338.6	111.5
April	7.0		4.3	0.08	128.9	10.8	-6.6	4.1	108.8	96.0	-1.6	3.0	10.0	352.5	111,4
May	8.2	4.5	4.3	80.3	128.5		-11.2	4.3	101.8	98.2	-0.2	5.5	9.8	369.1	111.0
June	7.6	32	4.5	80.4	128.3		-7.6	4.3	111.0	96.3	-28	1.5	9.7	370.E	111.8
ky	5.5	2.1		81.4	128.3		-0.2	4.1	106.9	96.3	3.1	2.8	9.6	389.1	111.6
August	5.0			82.2	127.9		-9.2		109.0	96.2	2.2	5.6	8.8	377.5	110.2
September October		1.4		78.3	126.2		-7.5		106.1	8,36	0.1	21.	-	372.5	108.8
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1988	107.9	107.2	10,0	135.3	101.4	107.9	114.3	10.0	100.3	117.8	111.7	8,6	144.0	96,4
1989	109.5	111.1	9.4	160.6	101.4	116.9	118.7	10.0	98.3	120.1	114.0	7.2	124.3	95.3
1990 1881	110,4 110,2	1128 111.5	8.9 9.4	165.2	95.0 96.4	. 1144	. 118.0	9.1	94,0	121.1	113.7	6.8	97.7	92.3
1992	110.5	110.1	10.4	109.5	95,8	114,8	116.9	8.8	97.4	119.4	109.9	8.8	68,6	97.4
1993	. 110.7	105.9	11.7	90.0	96.1	116.9 113.5	115.4	8,0	81.4	120.4	110.2	10.1	69.6	101.0
1994	110.5	110.0	12.3	104.1	104.0	106.5	119.9	10.3	39.1	123.9	1126	10,4	76.5	106.8
1905	110.5	1124	11.6	104.1	96.4	101.3	127.3	11.4	104.7	128.5	118.7	9.5	93,7	110.5
1996	. 110.2	112.6	12.3		101.7	98.9	123.7	12.0	108.1	129.9	121.2	8.7	107.4	110.1
1997	111.3	116.6	12.5		106.4	105.6	127.1	120		133.7	122.5	8.2	131.1	113.6
100/						100.0	127.1		114.7	140.7	124.3	7.0	182.0	115.5
3rd qtr.1997	. 1.7	5.0	12.5		105,1	8.7	3.4	12.1	1127	5.3	1,2	6.7	165.3	
4th ctr.1997	3.0	6.2	12.4		106.4	7.9	5.6	12.1	114.7	5.1	0.3	8.5		114.7
1st qtr.1996	23	7.2	12.1		108.3	3.0	3.4	12.1	116.5	4.7	-0.1	B.4	165.0	115.5
2nd qtr.1996	3.3	5.5	11.9		108.9	4.0	1,3	12.3	115.0	3.2	1,0	6.2	159,0 168,5	115.0
November .	-0.5	4.9	12.4		106.3	7.4	4.5		113.8	4.5			100.5	114.0
December	5.3	7.1	12.3		106.4	7.8	7.8	n.a.		4.3	-0.1	6.5	161,7	115,8
January 1996 .	5.8	6.5	12.2		108.8	29	8.5	71.4.	114.7	- 5.2	-0.2	6.4	160.1	115.5
February	2.0	6.6	12.1		107.4	. 35	2.4	12.	116.0	6.8	-1.1	5.4	155.5	115,4
Werch	-0.8	8.4	12.0		108.3	2.8	1.3	r.a	. 116.6	4.1	-0.4	6.5	160.3	115.2
April	4.0	4.4	11.9		108.6	-3.0		ne.	116.7	3.4	1.3	6.4	161,4	115.0
	1.2	5.8	11.9		. 100.0	4.1		n.e.	116.4	3.4	1.5	6,3	1624	114.5
ilay Ame	49	.6.1	11.8		109.9		2.9	n.a.	115.7	4.4	0.5	6.3	188.1	114.0
		3.3	11.8			5.0	- 03	A.S.	115.0	1.8	1.1	6.2	169.0	
luly	29				110.5	3.9	1.5	n.a.	1144		0.0	6.3	109.5	113.7
Aggust	- 20	3.3	11.8		110.9	3.0	-1.6	n.o.	113.8	2.5	0.7		109.0	113.2
September	. 25	3.0	11,7		110.6		1,5			3.6	0.6			112.3
October					108.8		-			1.0			171,3	

World Pulp and Paper Monday December 7 For further information, please contact: Felicia Kay in London Tel: +44 171 873 4199 Fax: +44 171 873 4817 email: felicia.kay@FT.com or Bradley Johnson in Stockholm Tel: +46 8 791 2345 Fax: +468 791 7960 email: bradley@globalmedia.se or Richard Brown in Toronto Tel: +1 416 259 9631 Fax: +1 416 259 9634 email: zorra@inforamp.net FINANCIAL TIMES

No FT, no comment.

that's 142 years

that a sharp swing against sthan and Delhi, while vying voters shows a 16 per cent poll found that just 25 per

opinion poll, published at nationalist euphoria six

the weekend in India Today, months ago after detonating

BANQUE PIGUET & CIE SA

Ministers in Brazil quit over sell-off

and Richard Lapper In London

Two Brazilian cabinet ministers and another top official resigned yesterday after it emerged they had influenced the \$19bn privatisation of Telebras, the telecommunications company.

Although the departures are a personal blow to President Fernando Henrique Cardoso, they could defuse tensions in Congress as the n ambitious austerity programme, an essential condiport led by the International Monetary Fund.

Luiz Carlos Mendonça de Barros, the communications minister, Jose Roberto Mendonça de Barros, his brother, who was foreign trade secretary, and André Lara Resende, the head of the National Development Bank (BNDES), had been under fire since excerpts of taped conversations appeared in the local press earlier this

Opposition deputies David Wheeler, of Bear alleged the tapes showed the Stearns, the US investment government had tried to lavour the Opportunity conprtium, a Rio de Janeiro investment fund, in the bidding for Tele Norte Leste. one of 12 Telebrás subsid-

that the Opportunity consor-

Leste showed that it had not received favourable treatment, he said.

Brazilian markets reacted calmly to the news, though it had not been expected. By early afternoon, the Bovespa index of leading Brazilian shares had gained more than

1 per cent. "They will be missed in the privatisation process, said Carlos Kawall, chief economist at Citibank in São Paulo. "But this will not damage the prospects for fiscal adjustment.

tion for a \$41.5bn package of minister, said the privatisa-Pedro Malan, the finance international financial suption process from which Brazil expects to generate a fur-ther \$42bn in revenues "will go ahead as planned. It would have been easier with them aboard but it is business as usual."

Although the published excerpts of the tapes do not show that Mr Mendonca de Barros used his position to enrich himself, commentators said the government had to avoid any suspicion of wrongdoing in the privatisation process

bank, said involved in the affair has now quit. The government wants to nip this thing in the bud."

Francisco Gros, who heads iaries sold earlier this year. the São Paulo office of Mor-Mr Mendonça de Barros gan Stanley, another US said last week the govern-ment had been trying to mer central bank chairman. stimulate as much competi- said the scandal demontion as possible. The fact strated that intervention in markets by government offitium, which was run by a cials is still far too common former central bank presi- in Brazil in spite of great dent, did not buy Tele Norte advances in liberalisation,

NEWS DIGEST

CANADA MINISTER IS FIRST CASUALTY

Solicitor-general resigns ever Apec controversy

Canada's solicitor-general resigned yesterday, becoming the first political casualty in the controversy over the gov-ernment's role in the crackdown on demonstrators at last year's Asia-Pacific Economic Co-operation summit. Andy Scott quit after he was overheard making comments that critics said could prejudice the outcome of a public inquiry into police behaviour at the summit. As solicitor-general, Mr Scott had responsibility for Canada's federal police, the RCMP, which are accused of using excessive force against students demonstrating in Vancou-

in a statement yesterday from his home in New Bruns-wick, Mr Scott insisted he had done nothing to influence the outcome of the inquiry, but acknowledged he had become vulnerable to that accusation. "I came to the conclusion that I am now part of the process and therefore I step down as solicitor-general," he said.

Jean Chretien, the prime minister, has been embarrassed by revelations that his office encouraged a crackdown on demonstrators in order to avoid upsetting Indonesia's former president Suharto. Edward Alden, Toronto

PENTAGON'S ASIA REPORT

Crisis a core security concern

The Pentagon said yesterday it viewed Asia's financial crisis as a "core security concern". The assessment was contained in a report on US security strategy for the East Asia-Pacific region released yesterday by the Defence

The report, the fourth it has issued on the subject since the beginning of the decade, emphasised the continuity of US engagement in the area and says its 100,000 military personnel in the region will remain in place. However, it pointed out that new security challenges have emerged

since its last report in 1995. The Asian financial crisis has shaken the region's assumptions about uninterrupted economic development and is testing regional economic co-operation, globalisation and the livelihood of two billion Asians," the report said. However, this was not the main, short-term security

"The situation on the Korean peninsula will remain the most serious security threat in the Asia-Pacific region in the near term," it said. Stephen Fidler, Washington

CAYMAN ISLANDS LAWS

Tax co-operation rejected

The Cayman Islands has changed the laws under which it will co-operate with other jurisdictions in pursuing serious crimes, but says it will still not help with allegations of fiscal offences such as tax evasion which are not crimes in the territory.

Legislators have removed clauses which made an exemption for fiscal offences among the serious crimes which the legal authorities would help to investigate at the request of the US and the UK. But the alteged offences must meet a "dual criminality test" and be indictable under Caymanian law.

Tax offences are not indictable in the Cayman Islands is there is no form of direct taxation in the territory," said Richard Coles, the attorney-general. "Alleged tax evasion will not satisfy the dual criminality test. However, we will consider requests for assistance in investigating serious crimes such as narcotics trafficking, fraud and money laundering," Canute James, Kingston

On the web today

 Big bucks, bigger ambitions: Bronfman and Turner show the way . Venezuela: Chávez wants poll on new constitution • Mexico: 100 police officers arrested http://www.fl.com/americas

FILM SECTOR UNEXPECTED SUCCESSES GIVE A LATE BOOST TO REVENUES

US cinema set to break box office records

Helped by a late boost from unexpected successes, the US cinema is now certain to set a box office revenue record this year.

Aggregate ticket sales went over \$6bn at the weekend after The Rugrats Movie surprised even its most ardent industry fans by taking in about \$28m, and

Much credit will go to 'Titanic'. which grossed

more than \$600m setting the year's total on

course for about \$7bn. Cinema attendance has also increased 5 per cent over last year, when the national audience was the biggest in almost 30 years.

While much of the credit for the advance will go to Titanic, which grossed more than \$600m in the US, ticket sales have been strongly supported by unlikely big winners which have appealed to a wider audience than the 18-to-25-year-olds year is usually the time for

The biggest surprise to date came from Walt Disney. which earlier this month saw The Waterboy, a lowbudget American football comedy, sell \$39m worth of tickets in its opening week-

Taking another \$16m last weekend, it reached official blockbuster status with aggregate sales of more than

\$100m in three weeks.

The Rugrous Movie, an animated Paramount production spun off from the highest rated children's television series, had been expected to gross about \$20m and come in second to Disney's Enemy of the State, which also opened last week-

But despite strong reviews and stars Will Smith and Gene Hackman, the political thriller had to settle for second place with revenues of

Celebrity, the only other new release of the weekend, was tenth with about \$1.7m ticket sales despite the reputation of its director, Woody Allen, and the presence of heart-throb Leonardo di Caprio in the ensemble cast. Although the end of the



studios to crowd cinemas with selections they favour for Oscar nominations, the holiday season which starts with this week's Thanksgiv- ated feature from Pixar, ing celebrations is also which made Toy Story, while

big ticket sales. Disney has A Bug's Life,

Dreamworks, which has already had a hit with the look-alike Ant. will chalits second computer-generlenge Disney again with its first conventional animation effort, Prince of Egypt.

Heavily promoted, this version of the story of Moses is already heavily tipped for commercial success



You started communicating with sound at the moment of birth. Gradually, basic sentences took over. Then, you grew up. Tim hungry... I want company!' turned into 'Let's have lunch.' Communication got more complicated,

personal relationships took on new dimensions. Ericsson looks at telecommunications a bit the same way. In the beginning, it was all about moving words from one place to another.

Today, however, the emphasis is on personal relationships. Building confidence, meeting needs, establishing networks. This means integrating telecommunications, data com-

munications and other evolving technologies. This is why Ericsson invests more in Research and Development than anyone else in the industry.

We're waiting to hear from you.

STATE HEALTH SERVICE LEGISLATION WILL BE AIMED AT PREVENTING MULTIPLYING PRICES OF ESSENTIAL MEDICINES

Drug pricing agreement to become law

Tony Blair with Orange Order leaders, including (third from right) John McCrea, secretary of the Grand Orange Lodge of Ireland. Mr

support of a majority of Ireland, supported the peace first British leader to

leader of the smaller Demo-

cratic Unionist party, said

Mr Ahern had not seen "the

full force of the will of

unionist community". The

DUP refused to join the talks

which led to the April agree-

awkward backdrop to this

week's visit by Tony Blair

during which the UK prime

The dispute provides an

Peter Robinson, deputy

status would have to win the British party in Northern minister will become the secret weekend meeting

The covernment is to formalise the pharmaceutical price regulation scheme, are the sole supplier - to the voluntary agreement that controls UK drug prices. Health ministers have won room in the planned National Health Service bill

year-old agreement. But legislation on controls is unlikely to be trailed in today's Queen's Speech to parliament, which outlines ucts forced down as they

to place controls over the 40-

hills in the coming session.

Fury greets

Irish PM's

confidence

on united

By John Murray Brown in Dublin

Pro-British unionists in

Northern Ireland yesterday rushed to condemn a state-

ment by Bertie Ahern, prime

minister of the Republic of

Ireland, that there was "ar

irresistible dynamic'

Mr Abern said on RTE

radio in the republic at the

weekend that the process

might take 10 to 15 years. "If

we can keep the violence out

of it, keep away from mili-

tary action by either loyal-

ists or republicans, then

people will look at these

things in a different way in

"It is up to them, republi-

cans and others who would

like to see one jurisdiction in

this country, to convince

people that this system is

Mr Ahern stressed any

better than devolution.'

towards a united Ireland.

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crack down on the growing sold on, however, small com- according to a minister. practice by some big companies of selling on out-ofpatent drugs - of which they even eightfold. The drugs eight-fold recently, poten- trol prices in other ways," can be essential to the state tially adding £2m-£3m to one industry executive said. health service.

The PPRS controls com- ments' costs. pany profits rather than prices directly. This means big manufacturers can find their prices for older prodmake money on newer prod- nies who play the game and Britain's third biggest export ment will emphasise mea-

panies can charge much more for the drugs. The control will be strongly price of drugs used to induce resisted by the pharmaceutilabour and prevent haemor- cal industry. "Our fear is hospital maternity depart-

That is an abuse of the system and legislation is needed "to protect the integrity of the PPRS, to protect the integrity of those compa-

BRITAIN

The switch to statutory

The Association of the taxes and controls over doc- the session. tors' use of drugs are driving

The controls will aim to ucts. Once the drug has been to protect the taxpayer", earner. The association said yesterday that legislation would be "a retrograde step" and would send "negative signals" to companies planning to invest in Britain. smaller companies which rhage after childbirth, for that once the scheme is stat- . Tony Blair, the prime

then hike prices two, four or example, have risen seven to utory it will be used to con-minister, will today unveil a legislative programme of welfare, legal and industrial relations reforms Robert British Pharmaceutical Peston writes. But he will Industry has already run a defer many of his more concampaign warning that tentious plans until later in

Today's Queen's Speech at overseas a business that is the state opening of parlia-

growth of public spending, including restrictions on future claimants of disability benefits and acceleration of the assessment of asylum applicants. The postponed measures include a freedom of information bill, legislation to create a food standards agency, a range of

orehensive pensions reform. On the business front, there will be an e-commerce bill putting in place a legal framework for commercial transactions on the internet.

transport measures and com-

Newspaper publisher to hold internet auctions

By Cathy Newman in London

Newsquest, the regional newspaper group that publishes Berrow's Worcester Journal - said to be the world's oldest newspaper is to hold auctions over the internet.

The group will hold trials in north-east England, allowing the buying and selling of small items online. It plans to roll out the venture across the UK in a few months.

Regional newspapers' classified advertising revenues are threatened by the internet as more people search for jobs and goods online. Groups such as Newsquest have been exploring ways of exploiting the strength of their local print brands on the internet

Interpet auctions are successful businesses in the US and are beginning to take off in the UK. In September, eBay, one of the biggest US internet auction services, made its stock market debut and saw its shares soar more than 163 per cent in its first day of trading.

Newsquest, which reached the London stock market a year ago, will use software from Auction Universe, a US company, to conduct the

Jim. Brown, executive chairman of Newsquest, said: "With the internet, we had originally set out to protect our business. What we've found is another busi-

Newsquest earlier this year announced plans to become a "virtual internet access provider" by charging readers for unlimited access newspaper web sites. It expects to make profits of between £2m and £3m (\$5m) SINGLE EUROPEAN CURRENCY

sm wire allo Blair welcomes enthusiasm from business leaders

NEWS DIGEST

Tony Blair, the prime minister, yesterday praised a pro-euro statement by 114 British business leaders, even though it urges him to make a firmer commitment to join the European single currency. Following its publication in yesterday's Financial Times in the UK, the prime minister's spokesman said: "It's certainly welcome, it's important businessmen engage in the debate about the single cur-

Meanwhile, Niall Fitzgerald, the Unilever chairman and influential Emu campaigner, called on the government last. night to set a "conditional date for entry to the single currency". Speaking in London last night, he said: "Business does not want to see Britain relegated to the status of a quaint, off-shore trading post, steadily marginalised from its main market." But more sceptical businessmen insisted it would be

wrong to conclude that there was an overwhelming private sector consensus in favour of euro membership. Tim MelvilleRoss, director-general of the Institute of Directors. said: "It is patently not the sole view of British business that we are in favour of early entry."

He insisted that "we cannot afford to be hauled aboard European political union as if we were running for the last bus home". Robert Peston, London

TECHNOLOGY COMPANIES

Support offered for US push

Small British technology companies are to be offered subsidised training and support to break into the US market, under a government scheme launched yesterday. The package includes "mentoring" from a named commercial officer at one of the UK's posts in the US and a tailored marketing course at a university business school. The ini-tiative will run for three years with the Department of Trade and Industry planning for 600 companies to go through

The government has received positive feedback from companies involved in a pilot scheme. David Wighton,

THE ECONOMY

More interest rate cuts urged

The Bank of England, the UK central bank, should conthrue cutting interest rates to ward off recession, according to two leading independent economic forecasting groups. Oxford Economic Forecasting and the London Business School believe the economy is likely to avoid recession narrowly next year, but with the risks clearly on the downside. The groups predict the UK economy will expand by 0.9 per cent next year and 2 per cent in 2000, marginally less than the Treasury predicted in its recent pre-Budge

 The first significant falls in house prices for nearly three years have been reported by the Royal Institution of Chartered Surveyors, it said more of its members were reporting falling prices than rising. The falls were concentrated in London and south-east England. Robert Chote and Christopher Brown-Humes, London

ANTIQUES

Dealers double turnover

Figures released yesterday by the British Antique Dealers Association - which covers 400 leading dealers dealers are taken into account. More than half the sales of

More than half the dealers responding to a Bada survey

The figures indicate the industry is made up of small businesses, with almost half Bada members having a turnover of less than 2500,000 and only four with sales in excess of £20m. Antony Thorncroft, London

LEGAL PROFESSION LAW SOCIETY HITS BACK AFTER POLICE REVEAL PROBE INTO SIX CITY OF LONDON FIRMS Dirty-money investigators 'lawyer bashing'

The Law Society vesterday accused the National Criminal Intelligence Service of "lawyer bashing" after it revealed it was investigating six City firms on suspicion of laundering drug cartel

The Law Society said it yers with limited powers of during were "very, very

itor has ever been involved in money laundering but a minimal amount of dirty money goes through solicitors' firms. Banks and finance houses are the main targets, so to suggest it is a lawyer problem is foolish,"

people in Northern Ireland.

Jeffrey Donaldson, the dis-

sident Ulster Unionist MP

who voted against the deal,

said Mr Abern's comments

confirm "that the Irish gov-

ernment do not regard the

Good Friday agreement as a

political settlement but

rather a staging post to the

tive which is a united

achievement of their objec-

authorities in their efforts to on organised crime. But it crackdown on money laun- admitted that prosecutions dering. Solicitors are law- of lawyers for money laun-

were all well known within the City of London, Some were very big firms with from 300 in 1996. only one or two individuals within them under suspicion, it said. The investigations result

from intelligence gathered The NCIS confirmed that by the NCIS and are being was totally misleading to about six firms were being carried out by police forces suggest that solicitors were investigated for suspected and other agencies throughthe main problem for the money laundering on behalf out south-east England. The involved.

In August the NCIS

tify the firms but said they 236 of the 14,000 tip-offs it ment in-drug-trafficking-or received in 1997 came from terrorism. The government lawyers. This was down plans to extend the law to The revelation that it is

address both houses of the

Implementation of the

April agreement has stalled

over the issue of the handing

over of paramilitary wear-

ons. But evidence emerged

yesterday that progress is

seing made in the conten-

tious area of parades by the

Mr Blair met a group of

leading Orangemen in Lon- angry republican crowd in

don yesterday, following a south Armagh.

Protestant Orange Order.

Irish parliament.

comes two weeks after Jack Their first duty was to act in Straw, home secretary, the best interests of their cliannounced plans to tighten money laundering laws.

of money laundering. At accused lawyers of turning a for lawyers and other profes-

cover all crimes. The society said solicitors

between Catholic and Protes

tant church leaders aimed at

resolving the deadlock over

the Orange Order's parade at

Drumcree, which was re-

routed away from a nearby

The meeting comes amid

signs of continued tension

elsewhere in the region with

police firing warning shots

when a joint army-police

patrol was confronted by an

Catholic neighbourhood.

investigating law firms were not in an easy position. ent and before breaking client confidentiality they had The government's plans to be absolutely certain they include a proposal to extend were being asked to launder the offence of failure to dis- the proceeds of organised

"Making a professional present it is only an offence misjudgment a criminal offence is not going to help,"

suggested a 50 per cent increase in turnover, to £565m (\$949m), in the year ending June. The trade has an estimated turnover approaching £3bn when non-member Bada members were to overseas buyers, a third of them

reported higher sales in 1997-98, with picture dealers showing the greatest improvement.

The top school abolition debate that is all about class

The question of the continued existence of selection in state education stirs parents' emotions. Deborah Hargreaves explains

"ducation, education, education, trumpeted Tony Blair as one of his their selective nature. But priorities when he became prime minister 18 months ago. He pledged to reduce class sizes, motivate teachers and improve standards. He struck a chord with many parents concerned about under-investment in schools and poor levels of attainment by children.

Now the government is its plans to help abolish some of Britain's oldest state schools, where many parents Britain's remaining 166 authorities held on to their David Blunkett, chief educa-

grammar schools uphold high standards because of opponents say they skim off academic pupils, leaving others with a sense of failure

tive comprehensive schools in the same areas. Critics of grammars want them to become comprehensive schools and admit all pupils from their neighbourhoods like most of the other

and handicapping non-selec-

Since the Conservative party has championed grammar schools, some staunchly Conservative municipal

grammars throughout the rush towards comprehensive education in the 1960s and 1970s. This means many selective schools are today concentrated in leafy regions such as Buckinghamshire and Gloucestershire.

The debate over selective education has raged for the past 40 years. Grammar schools - which are over subscribed for places - have been a traditional route for children to go to university. The emotive debate over their continued existence is up with Britain's

The picture is further complicated because a minority of parents sends their chil-

the party's approach to selective education. Labour had proposed to abolish all private schools or - more recently - remove their status as charities, which affords them tax advantages. But it has backed away from

these ideas. In opposition Mr Blunkett vehemently declared there would be no selection by exam or interview. But the Labour party was criticised before the last general election in a spat over the choice of school for Mr Blair's son. to send him to a high-class comprehensive several miles from the family's home -

government, has softened not create any new selective schools and will give parents the chance to vote on retaining existing grammar schools. Ballots could be held next year although changes are unlikely to be

made before September 2001. Anti-grammar campaigners welcomed the government's moves to pave the way for ballots, though the rules are so complicated it is difficult to predict their outcome. Two grammar schools in Bristol, in the west of England, have already signalled they will go comprebensive following campaigning by parents.

But five grammar schools in Birmingham in the the top state schools in the

go independent if local parents try to turn them into comprehensive schools.

Many parents in the middle income bracket have struggled to move into areas schools. The pro-grammar camp argues that such parents could scrape together than £1,000 (\$1,600) per child per term - for fees to send their children to private schools if they were faced with abolition. This would cream off more pupils to the private sector without raising achievements in local

One of Labour's first

School rules

M Grammar schools State schools for pupils aged 11 to 18 largely superseded since the 1960s by comprehensive schools. The tital difference between the two types of achool is that comprehensives are open to all

Comprehensive schools where most children aged 11 to 18 are educated include many former grammar achoots. The Labour party started the comprehensive movement when it held power in the 1960s, pushing many schools to become comprehensive and scoming the system of selection at age 11 as elitiet

I Independent achools are highly selective, receive no state grants and include some of the most famous names in Britain including Etan, Harrow and Winchester. There are independent schools for pupils of all ages, and those for teenagers are confusingly called public schools. Almost all parents of publis at such schools pay fees. In the 1960s some grammar schools switched to independent status to svold being turned into

enable less well-off pupils The assisted places scheme moves when it came to had cost around £140m a power was to phase out a year, but that money will subsidy put in place by the now be spent on reducing radical step.

Conservative government to class sizes in state schools for children under 11. For a access to private schools. Labour party that has abandonned much of its leftwing tradition, the move to abolish grammar schools is a

The world's top 500 survey. Who's number 1?

The FT 500. The definitive company listing published with the Financial Times on January 21 and 22 1999.

FINANCIAL TIMES No FT, no comment.

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INTERVIEW JOHN KOSS, CHAIRMAN OF KOSS

Sound way to survive among the big boys

Inventors of the first stereo headphones have remained in business by evolving as technology advances, writes Nikki Tait

ers when their indusnationals? Ask John Koss, co-inventor of the first stereo

orty years ago this month, two hopeful US entrepreneurs walked into Milwaukee's Hotel Wisconsin where a high-fidelity show was taking place. Mr Koss, now in his late 60s but still chairman of the quoted company that bears his name, and Martin Lange, his partner, were trying to enter the rapidly evolving music equipment industry.

build a portable phonograph," recalls Mr Koss, who was playing trumpet with a jazz band at the time. "And then to be different, we thought we'd use a set of nice stereophones, so people could have private listen-

Turning this idea into reality was not easy. "What happened was that there were no music phones available Everything was communications equipment left over from the second world war, headphones for switchboard operators and language

"It didn't have the balance you needed for listening to music. There was really no excitement - like listening to music on the telephone." Undeterred, Mr Koss got

his partner to install miniature hi-fi speakers in the type of headphones used by pilots. The fact is, we were using a much bigger surface than these [current] little

But that gave the base.

Can innovators ment, even with those first survive as niche play- ones. And it turned out that everyone at the show was tries are dominated by multiexcept they didn't like the

> So just as the Koss stereo headphone was born, the Koss phonograph bit the dust. Today, its inventor looks stoic. We were about 10 years ahead of our time." he says, philosophically. "Portable phonographs, boom-boxes and so on came on about the 1970s."

phonograph.

But if timing on the portable phonograph was lousy, the stereo headphones were delivered into a highly recep-So we thought, well, let's tive market. As Mr Kose points out, music was changing rapidly in the 1960s and volumes were getting louder. College students in partic-

ular lapped up the new novelty: "The kids at school, the only thing they wanted was a little school work and a lot of music. They had it in their

dorms and they couldn't play it loud because they would rock the walis. So phones were the only way that they could hear it. Our

When we brought the phones to the first show, nobody had heard stereo, and it's very exciting when you hear it for the first time!

But Mr Koss's fortunes changed when large competitors, notably Sony, muscled in on its act. The company, formed with family money to manufacture the headphones had little patent protection. It attempted to diversify,

first into products like manual turntables and later into computer speakers. Some hairy financial periods ensued and in 1984 Kosa was forced into bankruptcy,

re-emerging a year later. But today, most of these peripheral activities have been pruned away, and Mr Koss's sons now run the business from the same modest Milwaukee headquarters that have housed the group for the majority of its corpo-

And, in spite of the upheavals, Koss still leads the \$120m-a-year highfidelity stereo headphone market in the US. Michael Koss, chief executive, claims that the company's tailored focus and the fact that it manufactures locally allows it to be responsive to retailers' demands

That, in turn, helps to combat some of the compatition's size advantage. Sales last year were \$40m, of which 87 per cent came from stereo headphones.

The younger Mr Koss also



expanding sales overseas, especially in Europe, where the lack of uniform distribution and specifications has made the market tough to crack for a relatively small company,

"Even something as simple as the euro may help," he says. "As the EU becomes one market, you're going to ses more cross-border retailing and that's going to improve our position."

The Koss name, meanwhile, has been licensed to a and it's vary exciting when couple of electronics companies, based in Hong Kong and Canada, who use it on a range of audio equipment, from speakers to car stereos.

This has boosted profits by more than \$1m annually. The Koss share price has yo- so that we could expand it. stands at double its mid- nets changed. It made a big

sees some opportunity for 1990s level. The Kosses stress they have no plans to sell out.

But one important reason for Koss's survival may be because the technology has advanced significantly over the past 40 years.

"The first breakthrough was that we could get that big bass sound and the music sound. It's hard to remember if you weren't there, but when we brought the 'phones to the first show, nobody had heard stereo. you hear it for the first

time," says John Koss. "But then as the technology grew, and we shot people up to the moon, the aim was to make the cone softer and make it do more,

amplification, the better we

difference to the way could alter the sound." By the late-1960s, the industry moved to electrostatic "The normal system is a

cone, and a magnet that pushes the cone so that it vibrates. With electrostatic, there's nothing pushing, nothing to warp. It was a great innovation.

And then, in the mid-1980s, there were the cordless phones, and a design that put two speakers in each earpiece. The dawn of the digital era, meanwhile, further improved the sound quality that stereo headphones could deliver.

"The better they got in cleaning up their act, taking the distortion out of the

Today, Kose's latest focus listeners to plug earphones at] the other."

is on noise suppression. Mr Koss cites an all-too-familiar turn, contains a microproexperience: "Have you ever cessor that registers the been on a plane, trying to unwanted noise and sends listen to a movie which out "anti-noise" waves that they've played once too are 180 degrees out of phase often, where the head end of and counteract the offending the music sound is about 25 buzz). years old?

"And then, to make matters worse, they've got a cheep pair of very inefficient headphones that you have to crank up to override the sound, so that you put all the distortion into them? Then you're supposed to hear what they're saying - it doesn't work.

"By using a noise suppression phone, you eliminate all this and you've got a very efficient result." (The company's Quiet Zone system,

into a small box. This, in

The same approach, Mr Koss adds, can help people who are slightly hard of hearing, and have problems with all the peripheral noise at parties or in a restaurant, although he admits that in this case the technology can become "a little expensive".

But he says: "It's a per sonal interest. I came at this business from the music standpoint. Now we're trying to look at it from another point of view.

"it's fun to combine things we know about at one end o \$200, works by allowing the the spectrum with [things

FT GUIDE TO EMOTIONAL INTELLIGENCE

Empathy is better than wizardry

So-called 'soft skills'are not to be ignored. Rob Yeung identifies them and their impact on your job

There seem to be books and articles all over the place about emotional intelligence. What's it all abaut?

Emotional Intelligence traditional intelligence (IQ) describes a set of abilities. competences or so-called "soft" skills about how people manage themselves and relationships with

There are five components, three of which relate to how you manage Self-awareness -

recognising your own strengths and weaknesses and knowing how to compensate for them: Self-regulation - being able to keep under control emotions such as anger and impulses such as acting without thinking, and knowing when to be flexible and open to change; ◆ Motivation - having optunism and personal

The remaining two components are concerned with handling other people: Empathy – skill in "reading" the emotions and motivations of other people, and being able to anticipate their needs; Social skill - an ability to huild and manage relationships with clients,

is EQ just the latest management fad? EQ seems to be in vogue a the mument, but only the term itself is new - the

customers, colleagues, etc.

concepts have been around for decades. There has been a growing realisation that getting being a technical wizard or

an intellectual genius, For example, it is commonly accepted that traditional IQ tests fail to predict job performance. Everyone can think of examples of boffins who never made it past middle management because they lacked the right personal qualities, even though they know the company's products better than anyone

Instead, it is people who are acknowledged to be charismatic, politically aware, open-minded and confident who sit at the tops of companies. EQ is simply a relatively recently coined label for this set of skills.

But I'm a manager, not a counsellor – who cares if I have empathy or not? Tough business people almost always initially deride empathy as being unimportant to their roles. However, learning to sell more effectively to clients or customers requires an ability to read people's feelings more accurately to

You can only learn from your shortcomings if you are fully aware of them

know which buttons to push. An accurate understanding of your employees' needs and feelings will help you to find the best way of motivating them or to know how hard you can work them without breaking them.

Now you're talking. Can a higher EQ get me the promotion I want? It is difficult to imagine any aspect of a job which will not be affected by EQ. Within your own company, having a good sense of

MALCOLIN HAS FANTASTIC EMOTIONAL INTELLIGIENCE BUT CHOOSES NOT TO LET HIS EMOTIONS SHOW, OR HIS INTELLIGENCE, ACTUALLY



political awareness will help you to detect key power relationships and how to deal with conflict. Being self-aware and aware of others will help you to know when to forge ahead and when to take on board advice and give in. The list goes on.

A recent article in the Harvard Business Review by Daniel Goleman estimated that EQ is twice as important as technical skill or IQ in determining top-class performance.

But aren't these just common-sense social skills? Yes, in the sense that most people understand the concepts because they are straightforward enough. However, most people cannot apply them as effectively as they might. It is akin to understanding the concept of playing a piano but being unable to produce a piece that is aesthetically

satisfying. In addition, many people have very little awareness of their own strengths and weaknesses. For instance, there is

typically a poor correlation etween managers' ratings of their own skills and the ratings given by their teams. You can only learn from your shortcomings if you are fully aware of them.

Is EQ innate or learned?

Ah, the age-old question of whether leaders are born or

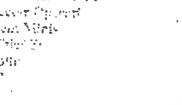
Emotional intelligence resides in a centre of the hrain known as the limbic system, which is formed at birth - so a proportion of EQ will be determined in your infancy. However, the limbic

system responds remarkably well to feedback, training and extended practice. In short, EQ is a set of behaviours that can be

So how do you improve your EQ? Like any skill, EQ can be improved only with a great deal of time and determination. EQ training requires dedication because you may have to confront unpleasant realities - who finds it easy to admit that they are a poor team player or that they find it difficult to be as assertive as they

need to be? Objective feedback on your performance and blind spots from someone outside of your business is vital employees and colleagues often feel unable to be as honest about your failings as you would like them to

Rob Yeumo is a business psychologist in the London office of Nicholson



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Gangwai moves to chief executive at **US Airways**

Stephen Wolf, one of the world's best-known airline executives, has taken another step back from day-to-day control of US Airways, handing over the chief executive's position to rising star Rakesh Gangwal.

Wolf, 57, will remain group chairman, taking overall responsibility for strategic direction: but Gangwal – already chiel executive of the group's operating arm - wilt have an expanded role in

running the company. Gangwal, 45, was born in Calcutta and received an engmeering degree from the Indian Institute of Technology, followed by an MBA from the Wharton School at the University of Pennsylvania.

He has long been a Wolf protégé. The two first worked together when Wolf was chief executive of UAL, the parent company of United Airlines, and Gangwal was in charge of United's strategic planning, Gangwal impressed Woll with his skills in the

management, devising pricing strategies that maximised the airline's potential revenues by using different fare levels to fill as many seats as possible.

After leaving UAL in 1994 Wolf took Ganowal with him when he was appointed as a high-level consultant on the restructuring of Air France. Two years later, the pair moved again to US Airways and set about restoring the health of the then ailing airline.

Wolf described Gangwal as "the most talented young executive in the airline business today"

Separately, Wolf said US Airways had appointed Peter George, chief Ladbroke group, to the board, citing George's "great knowledge of the international service and hospitality business" George is chairman of Ladbroke's Hilton International hotel

Meicher heads SLOC in UK

Richard Tomkins, New York

Steve Melcher was yesterday given the challenging task of restoring the fortunes of developing science of yield Sun Life of Canada's UK operations ahead of the likely demutualisation of the parent group next year Melcher, 49 (right), will take up the position of general manager of SLOC in the UK next month. He was chief executive of Allied Dunbar, another big UK life assurer that relies mainly on a direct

sforce for its distribution, until last year. Melcher replaces Maurica Bates who left SLOC in August. Christopher Brown-Humes

New Boeing financial officer

Boeing, the US aircraft maker which has been plagued by production and financial difficulties, has appointed Deborah Hopkins, 44, chief financial

The appointment is part of a management reshuffle at Boeing which has resulted in the sacking of Ron Woodard, head of the civil aircraft division, and the retirement of Boyd Givan, Hopkins'

Hopkins, who will take up her position on December 14, joins Boeing from General Motors Europe, where she was vice-president, finance.

She joined GM in 1995 as general auditor, where she headed a drive to help managers evaluate the risks inherent in achieving their business objectives. Michael Skapinker, London

McLarty to advise FT

Thomas "Mack" McLarty, a former chief of staff to President Bill Clinton, has joined the international advisory board of the Financial Times.

In five years at the White House and National Economic Council McLarty also served as counsellor to the president and special envoy for the Americas. He left to return to McLarty Companies in

Carl Spielvogel, chairman of the board, and Stephen Hill, chief executive of Financial Times Group, paid tribute to McLarty's broad experience in business, economics and government, in particular i Latin America. Other members of the board, which was set up to

advise the newspaper on its expansion in the US, match it in market share include Sanford Weill. and surpass it in co-chairman of Citigroup, profitability. and John Browne, chief Petroleum.

Crowley heads Molson finance

Patrick Crowley has been appointed executive vicepresident and chief financial officer of The Molson Companies, parent of one of Canada's largest

Crowley, 47, will join Molson in mid-December after stepping down as and chief financial officer at Abitibi-Consolidated, the world's largest newsprint producer. He succeeds Stuart Hartley, who will retire after 20 years with

Crowley provides the

company with experience in both international and consumer products businesses. The newly-named chief contribute to the company's efforts to bolster its position in the fiercely competitive Canadian beer market Molson has suffered through a decade-long decline during which it has seen arch rival John Labatt

chief executive, has said the company is focusing

on increasing volume and exercising effective cost controls. Moison recently announced plans to treamline administration.

The two rivals, which jointly control 90 per cent of the Canadian beer market, are each believed to spend up to C\$200m a year on advertising campaigns and price discounting in order to increase market share. often measured in tenths of a percentage point. Scott Morrison, Toronto

Esser steps up at Mannesmann

Klaus Esser, who has for some time been a driving force at Mannesmann, the Düsseldorf-based industrial group, can at last step out of the shadow of Joachim Funk, 64, who is stepping down next May as head of the group's executive board.

Esser's confirmation as Funk's successor follows his successful oversight this year of Mannesmann's fast growing telecommunications Mobilfunk and Mannesmann Arcor, are among the strongest rivals in the mobile and fixed Deutsche Telekom, the



partially privatised elecoms giant. Esser, 51, was appointed

Mannesmann vice-chairman in February a move which singled him out as Funk's most likely successor. He has a furlous business style needed to grapple with a conglomerate as diversified as Mannesmann, which was originally best known for its steel tubes business As well as pushing into telecoms. Mannesmann has attreamlined its

engineering interests Esser loined Mannesmann in 1977 after two years at the Technology. By 1990 he was a member of the board of Mannesmann Demag, one of the group's engineering division immediate executive

board responsibility for elecoms will now be taken by Lars Berg, 51, chief ecutive of Telia, Sweden's state telecoms group who had previously spent most of his career at

He fills the place vacated by Peter Mihatsch, who oversaw the build up of Mannesmann's telecoma activities but quit in February.

Berg is one of four new appointments to the board, which is being expanded to include members with direct divisional responsibilities. Georg Acker, 58-year-old Demag responsibility for engineering interes Joachim Rauhut, 44 becomes chief financia officer. Peter Gerard, 51, joins from Deutsche Bank. Ralph Atkins, Bonn

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MANAGEMENT MERRILL LYNCH MERCURY

Merged assets in search of top form.

Jane Martinson looks at the mixed fortunes of one of the world's biggest fund managers a year after its creation

Stephen Zimmerman, co-head of Merrill Stephen Zimmerman, co-head of Merrill Lynch Mercury, one of the world's biggest institutional fund managers, says the past year has been a bit like starting at a new school. The syllabus involved studying Merrill Lynch, the US investment bank which bought Mercury Asset Management, the UK's largest pension fund manager, for

£3.1bn a year ago. Mr Zimmerman, who is approaching 50, joined MAM as a graduate and eventually owned enough of the business to earn about £14m as a result of the takeover. He rejects any suggestion that such riches have changed his behaviour. "The pressure to do well is a self-imposed one. The hunger is still

there," he says. But the year-end report of the newly named MLM leaves some questions about the takeover. Poor perfor-mance in part of the group's core UK institutional business has prompted several high-profile client defections.

Rivals and consultants alike question how the investment process at Mercury can adapt to meet the challenges of a global busi-

Merrill last month announced 3,400 job cuts and a \$500m cost-cutting exercise in response to the collapse in the world's equity markets. MLM has been largely saved from the job cuts: staff numbers have increased by 244 to more than 1,800 since

the beginning of the year. Yet the company, with \$218bn of assets under management, has had to cut costs. Temporary and contract staff have been shed and the group has not been able to increase employee

Both Mr Zimmerman and Carole Galley, co-head of MLM, have taken to their new roles with vigour. But one former colleague says: "Zimmerman has had a new lease of life, while Carole is probably less happy. The UK business is her baby, if it's struggling, she will strug-gle." Ms Galley declined to

As a symptom of its problems, the company's flagship 24.4bn pooled pension fund came 68th out of 71 funds measured by Caps, the performance measurement group, last year. Several of Mercury's largest clients left after suffering performance some 10 percentage points below the benchmark in

Such underperformance may not reflect the house average but these results. with individual fund managers appearing to have such an important influence on performance, was particularly worrying to clients.

The problem goes to the heart of the company's ability to manage any future growth. The hallmark inde-pendence of Mercury's fund managers becomes more and more difficult as funds under management grow. This is partly because their ability to take large bets is circumscribed by the amount of money they manage.

Mercury introduced asset allocation controls before the merger to prevent such disparity of results. But Mr Zimmerman recognises that such controls must be managed in such a way that fund managers do not feel "reduced to the lowest common denominator" by being unable to follow their own ing nature of the UK market. The traditional balanced style of management, which gives fund managers discretion to invest in a range of asset classes, has suffered from a move by consultants towards a mixture of indextrecking managers and specialists, who invest in a spe

cific asset class.
MLM has moved into other, faster growing areas of the UK market, such as defined contribution, but its greatest focus is on international fund management. 'We look at our business as a global one today," says Mr

Of the \$30hn in new business won since the begin-ning of the year, about \$12bn has come from the US, £6bn from the UK and £5bn from continental Europe, a target region over the next few years. In Japan, another core area, the group has won Abn in new busine

The US has already pro-vided the first fruits of a merger that was largely predicated on the opportunity of pushing Mercury's fund management expertise through Merrill's extensive US network. This month two first to be launched by a company that had previously failed to make much headway in the US, attracted almost \$680m in spite of market turmoil this

autumn. Michael Lipper, the head of Lipper Analytical, says it is too early to say whether Merrill is regretting the high price paid for Mercury. "It would be better to look at it a year from now when we may see more merger benefits," he says. "If we don't, then the price and the integration process will need to be focused on."

And if they are, the new school could get a lot

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Geneva panel will rule on air dispute

Mark Clough examines the background to the row between Canada and Brazil

BUSINESS & THE LAW EXPORT SUBSIDIES

to Embraer, a Brazilian regional aircraft manufacturer, since 1996.

ure of settlement consulta- \$2.5m. tions, a World Trade Organisation panel was set up to manufacturer, is the competresolve the dispute. This is the first time since

the WTO Dispute Settlement Body was established in 1995 that a panel has been asked to interpret main provisions of the WTO Agreement on Subsidies and Countervailing Measures.

The scope of derogations and transitional rules available to developing countries which are relied on by Brazil are being out to the test.

The primary issue between the two countries is the alleged misuse by Brazil of its export aid programme. known as Proex. The interest rate subsidies granted to foreign buyers of Embraer aircraft have the effect of reducing the interest rate paid by purchasers by 3.8 per cent on loans covering periods of up to 15 years.

This amounts to a nominal reduction in the purchase

Canada has been in price of Embraer aircraft of dispute with Brazil \$4m or 20 per cent of the cost over export subsidies of Embraer's regional jet. of Embraer's regional jet. the ERJ-145. Alternatively, the subsidy can be taken by foreign buyers at the outset In July, following the fail- as a one-off payment of

> Bombardier, the Canadian itor most harmed by the Brazilian interest rate subsidies. However, the Proex programme also significantly affects European regional Saab and BAe.

For Canada to succeed in its complaint, the Proex cern the phasing out of interest rate equalisation export subsidies within an scheme applied to regional aircraft must be shown to be a subsidy as defined by article I of the WTO agreement and to be paid in connection with exports con-

trary to article 3.1. To satisfy the article 1 sub-"financial contribution by a government" which has conferred a "benefit", and to be prohibited by article 3.1 the subsidy must be contingent on export performance.

Brazil, which is about to receive a \$41bn rescue package from international

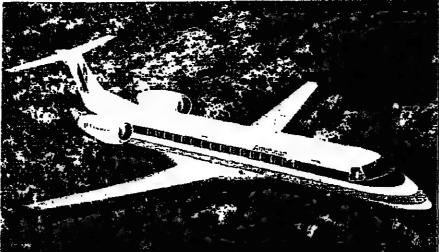
given notice of its intention to rely on the defence provided for developing country members by article 27 of the subsidies agreement.

Article 27.2 requires Brazil to establish that it is a qualifying developing country WTO member: and any export subsidies granted are kept to a minimum in accordance with article 27.4.

Provided that Brazil can satisfy the three conditions in article 27.4, the Proex programme might benefit from temporary exemption from the general prohibition of export subsidies. The three conditions con-

eight-year period from the entry into force of the WTO agreement (which expires on December 31, 2002); a standstill obligation not to increase the level of export subsidies: and an obligation to phase out export subsidies sidy test, there must be a in less than eight years when the use of such subsidies is inconsistent with development needs.

Brazil is unlikely to pass first test, having extended the Proex financing period from 10 to 15



Chiect of dispute the FR-L145, the regional let built by Embraer, the Brazilian manufact

tion not to expand the level interest rates and needs the Brazīl's development needs. of the subsidies, the available evidence again appears to indicate that Brazil has expanded the scope and availability of Proex

It has increased the size of

loans qualifying for Proex subsidies from 85 per cent of the purchase price of the aircraft to 100 per cent, waived rules requiring a certain percentage of the content of the aircraft to be Brazilian and increased the period of loans for which the subsidy is available from 10 to 15 years. It has also increased the term for which Proex subsidies are available for spare parts and engines for

The third condition is likely to be the most contentious, touching as it does on the issue of a country's development needs. penalised by high domestic inconsistent

regional aircraft.

export subsidies to compete. The WTO panel will have to decide whether these payments, which are made mainly to foreign regional airlines and their banks, allowing them to reduce their financing costs to from export subsidies. below international levels. are in line with Brazil's

development needs. Brazil will need to justify large payments to foreign institutions that result in a substantial net outflow of funds. While the domestic content of Embraer aircraft is below 30 per cent, the Proex programme finances up to 100 per cent of the purchase price of Brazilian

regional aircraft.
The £200m annual cost to the Brazilian budget to cover Proex payments to foreign purchasers of Embraer aircraft at a time of financial Embraer claims that it is crisis might be considered

construed narrowly. The author is a pariner of Ashurst Morris Crisp, the City law firm.

A further issue for the

panel is the relationship

between financial rescue aid

packages provided under

IMF and World Bank rules

and the uses of such aid to

fund a budget deficit arising

As this is the first signifi-

cant subsidies case to come

before the dispute settlement

body in Geneva, the panel's

decision is likely to be

important for the interpreta-

tion and application of the

The ruling of the panel

provides an opportunity for

a realistic appraisal, consist-

ent with the General Agree-

ment on Tariffs and Trade

practice that exceptions to

general Gatt rules must be

subsidies agreement by

other WTO members.

undertakings which were "parties concerned" with regard to Commission declsions on state aid. The Court justified a legal interest in bringing proceed-

ings in those cases by the

absence of other procedural

guarantees. In the present case, there had been an invitation to submit observa-The Court further held that Kruidvat was not distinguished from other operators

outside the Givenchy distrision, ECJ FC, November 17

BRICK COURT CHAMBERS,



Wilde Sapte tops project finance league tables

Wilde Sapte, the City law firm, has emerged at the top of the UK project finance eague tables after closing deals of a greater value during 1997-98 than any of

The league tables published in the Project Finance Book of Lists 1998-99 show that the firm closed UK projects to a value of \$6.7bn. Second was Norton Rose which closed deals valued at \$2.95bn; in third place was Clifford Chance, with closed deals valued at \$2.9bn.

Among the deals closed by Wilde Sapte in 1997-98 were the Norfolk & Norwich lospital. Oceanic Air Traffic Control and the Armed Forces Personnel Administration Agency. Wilde Sapte was also placed

second for western European projects.

Lex Mundi move

Morrison & Foerster, the San Francisco-based international law firm, has become the latest veli-known US law firm after Steptoe & Johnson in Washington DC and Baker & Botts in Texas to join the Lex Mundi group of ssociated law firms. Lex Mundi has 146 member firms with 370 offices in 83 countries worldwide representing approximately 11,500 lawyers.

Spanish task

Clifford Chance has been retained to advise on Europe's largest securitisation - the \$11bn acuritisation of the strander costs in the Spanish electricity sector. Stranded costs are the costs deamed. to have been wasted following the break-up of the Spanish electricity market. The UK international law firm is advising all three financial arrangers of the deal, Morgan Stanley, Banco Bilbao Vizcaya and Banco

Central Hispano. No other law firm is involved so far. The transaction is being conducted under the new secuntisation law issued in Spain earlier this year. There will be both a domestic and international issue.

Merger outlook

Consolidation among UK law firms is set to continue, according to research by accountants Smith & Williamson. Two-thirds of 90 solicitors' firms interviewed by the accountants said they expected the level of merger activity to increase over the next year. More than 70 per cent said they had approached, or been approached by, another firm with a view to a possible merger in the past two

Repealing work Following recommendations

by the Law Commission, the government's law reform advisory body, the 1998 Statute Law (Repeals) Act has repealed almost 400 statutory measures including 180 whole acts of parliament. Among the outdated statutes repealed are the Victorian acts passed to prevent the slave trade, two emergency acts passed in 1797 as a result of the mutinies at Spithead and the Nore, three Elizabethan acts imposing restrictions on the powers of the clergy to dispose of ecclesiastical property, five university acts giving graduates from newer universitles the same employment privileges as Oxbridge or London graduates, and nine tithe acts passed to administer tithes, tithe rent charges and

Two re-elected

John Heller and Christopher Jones have been re-elected as senior partner and managing partner respectively of Hammond Suddards, the UK national law firm. They will serve a further three-year term commencing in May.

European European COURT sion for a selective distribupart of the selective distribu-The European Court of tion network for its prodtion network. Individually distinguished. Justice has clarified the cir- ucts. The Commission Kruidvet brought an The extension of the right published a notice indicating cumstances in which an action for the annulment of the Commission's decision in association defending the undertaking is deemed to be compatibility with European sufficiently individually conthe European Court of First interests of its members competition rules. cerned by a European Com-Comments received in Instance. The Court declared could offer procedural an issue preliminary to the mission decision to bring an response included one from it inadmissible. Kruidvat advantages. However, particaction to have it annulled. Krutdvat's trade association. had no standing to challenge ipation by such associations ever, from this it could not in the administrative proce-The judgment arose out of In July 1992, the Commission an individual decision grantadopted a decision declaring a dispute between Givenchy. dure could not relieve their party had standing to dising exemption as it was not the French perfume house, the competition rules did not "individually concerned". members of the need to and Kruidvat, a Belgian apply to Givenchy's selective On appeal, the Court establish a link between shop chain. Kruidvat sold upheid the CFTs finding that their individual situation distribution system. fine fragrances, including Givenchy's exclusive agent the link between the particiand the association's action. Givenchy perfume, obtained in Belgium sought an order pation of the trade associa-Further, the existence of on the paraliel market. requiring Kruidvat to stop tion in the administrative linked civil proceedings in 1990. Givenchy sought before a national court was complainant and that of BRUSSELS selling Givenchy products on proceedings and the individ-

Givenchy creates a special case the grounds that it was not ual situation of Kruidvat not sufficient for a direct was not sufficient for it to be action against a Commission decision to be admissible. The legality of an administo bring proceedings to an trative measure relied on by

one of the parties to such proceedings might arise as settling of that dispute. Howbe inferred that the other pute the legality of that meesure by means of a direct action before the CFL The Court went on to hold

that there was no analogy between the position of the bution network. C-70/97: Eruidvat v Commis



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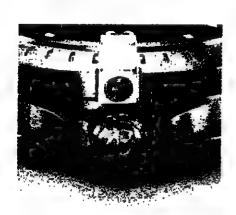
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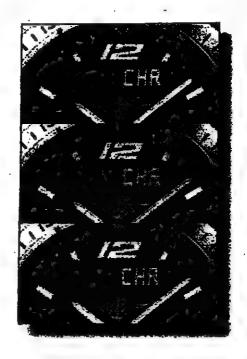
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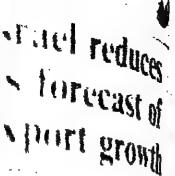


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INSTRUMENTS FOR PROFESSIONALS"





Confessions of a non-draughtsman

The filmmaker Peter Greenaway has had quite a few problems mapping out his artistic career, writes William Packer

Peter Greenaway has made some of the most remarkable films of our time, dense with scholarly hint and art-historical reference, dead-pan in-lokes for us to smile at in selfcongratulatory recognition. He has also been the curator of some memorable exhibitions which similarly celebrate that polymathic curios ty, rich in inter-disciplinary proposition and possibility, andlessly codified by list and category. And he is also a painter. We

remember the artist-hero of The Draughtsman's Contract, the film director - and it was Greenaway... himself who made the drawings that appeared upon the acreen. No works characterised by cliche period it was clearly important to him that they should be his own. the beginning, Greenaway had little affinity with the School's conception of art practice: "I was not be confronted"? interested in observational work or

ing and painting are never easy. Perhaps he was no good at them. "Art schools", he complains, "are so good at breaking your confidence." Perhaps he wished he had cone to Cambridge after all.

The point is that clever people

often aspire to the life and condition of the artist and, lacking obvious technical facility, persuade themselves that the fault lies elsewhere. We read of Greenaway's "increasing dissatisfaction with what he perceived to be a narrow conception of painting - one that by which he made his name as a did not facilitate an imaginative ment on his part and presumably, therefore, gave rise to matter that they were stiltedly The underlying suggestion here is ne and inappropriate to the that other means may be devised and validated if one is clever enough. Who needs to sit in the In 1960, at the against 18. he field and draw the landscape for turned down Combridge University scample, when there are "issues" in favour of the Walthamstow, of landscape to be addressed. school of Art. But the disciplines of ... which had led ambitious artists of anatomy, perspective and the life- the early 60s to exclude landscape room seem not to have suited him. as a posaible subject for paint-Paul Melia, his present apologist, ing ... seen by them as too much writes in the catalogue that "from the individual achievement of an older generation . . , whose cultural status was now part of what had to

Note that tendentions "ambibeing a dispassionate documenter, tious" to patronise more orthodox or even a passionate one." Draw- engagement; note too the curious

proposition that being an artist In 1978 he made 92 maps, "the requires the confrontation of the

ultural status of another. So like other artists returning to landscape in the later 60s, but drawing upon "forms of represe tion derived from the sciences rather than personal experience",

Clever people often aspire to the life and condition of the artist and, lacking obvious technical tacility, persuade themselves that the fault lies

Greenaway took himself off to work instead with grids and charts, diagrams and maps. Anything but draw. He set out at night to bury erences. Collage as such, too, came ball-bearings at selected points of intersection on the Ordnance Survey grid, but gave up on discover-ing that his actual "points of land... were usually occupied by trees, buildings or some other obstacle." What had inck.

elsewhere

None of this would matter if, as result of an absurdist search for a with Kitaj himself - or Paolozzi, map in every available surface: the Richard Long, Tom Phillips, Richhides of piebald cows; a bramble ard Hamilton even, or Marcel leaf mined by a gall-wasp grub, a scratchings on a kitchen door They raise a number of issues, such as: what are maps; what is their function; what is the difference between a man and a picture; how does one 'read' a map; what is the relationship of the map to the landscape it represents?" Good questions, all of them, but the mere asking and representation of cism, but which in reality is only them, fascinating as may be, does not make the asker an artist.

For Greenaway, the great moment of liberation from those old ari-school disciplines came when, while still a student, he discovered the work of the young R.B. Kitaj, with its forced and con-tradictory perspectives, its man-nered, cosage-like imagery drawn upon a variety of sources, its elegantly sketchy handling, and its wilfully recondite and literary refas a great personal discovery, in allowing him "the production of a vivid. flat surface - necessary at this time if one's work was to count as, or at least look, modern." It is that "at least look" that is the Greenaway give-away.

Duchamp - the actual work had a sustained and credible critical engagement and development within itself. But what we have in this retrospective, now at the Corperhouse in Manchester, is a succession of exercises after the general manner of the day, a kind of potted history of avant-garde fashion, sustained by what Melia would call a profound and ironical sceptiwordy and profoundly unironical self-justification. There is no question of the work being allowed to speak for itself,

and clearly it cannot. But in his heart Greenaway seems to have 1965 he joined the film unit of the Central Office of Information, and there found his true self. His films, for all their maddening obscurities and pretensions, can and do speak for themselves on their own terms, and so, too, his occasional curated exhibitions. These represent his lasting achievement. He at least kept up the day job.

Peter Breenaway — Artworks 63-98: Cornerhouse, Manchester M1: spon-

Le Socre du printemps made s forceful contrast, and scored a great success with the audience Tilson Thomas and his LSO players excelled particularly in piano and mezzo-forte, where they brought many wonderful but often neglected details to precise life. When the score mared and howled the conductor drove it very fast indeed; that made an exciting ride, but steely and hi-tech-mechanical. The earthy stamp of primitive human feet was hardly felt, and I

David Murray

Back to the sad silly Seventies

ROBERT HANKS

The glut of 1970s nostalgia afflicting us right now needs explaining. The main reason must be simple chronology for the writers and directors who are now coming to the fore, the 1970s were formative years, and much the same must apply to a large section of the audience, so that writing about the decade makes commercial

But it may be, as well, that there are features peculiar to the Seventies pop scene that make it specially tempting for writers - the silliness of the music, the ludicrous clothes (platforms, hotpants), the absolute absence political yearnings (or pretensions, if you would rather) that marked the

The Seventies was a decade without baggage: the Sixties were all about protest. Vietnam, sexual liberation; the Eighties were Thatcher, the miner's strike and a Square Mile flush with cash and ambition. What does the Seventies mean?

The meaninglessness of that low, dishonest decade seems to lie at the heart of Catherine Johnson's Shanga-Lang, a play that combines the two genres of "Seventies Nostalgia" and "Giris' Night

Three schoolfriends, all on the edge of 40, are reunited for a Glam revival weekend at Butlin's, whose highlight is a performance by the Bay City Rollers: single, yearning pub landlady Pauline: divorced, alcoholic, aimless Lauren; and married, seemingly, happy and fulfilled

two of them end up in bed with a pair of musicians from a tribute band, and they all find out things about one another and their shared past that they would rather not have known.

The characters and their situation verge on stereotypes, and in some ways it seems an oddly staid play for the Bush. What distinguishes it is a streak of ruthlessness. You are left after wards with a bleak sense of how all these women's pleasures - drink, sex, nostalgia - are only escapes from unhappiness. For Pauline, her teenybopper crush on Woody, one of the Rollers, was the emotional highlight of her life: what could be

Catherine Johnson's play combines the two genres of **Seventies** Nostalgia' and

'Girls' Night Out' sadder than that? The mood is summed up in an exchange between the two

musicians "Life's too short," says Carl, the cocky young one, whingeing. "No it ain't, it's too fucking long," replies the older Vince.

Amid the misery, there are some very funny moments: Pauline coming out of a drunken stupor nestled between the legs of a giant fibre-glass Teletubby; Carl and Vince's appearance as soul musicians, complete with boot polish and Robinson's Golly afro-wigs. And in Mike Bradwell's production all the performances are good, with Joanne Pearce's melancholic, eager-to-please housewife outstanding. It is a play worth seeing; but the you are unlikely to cling to fond, postalgic memories.



At the Buttin's Glam revival weekend: One McCracken,

MUSIC TILSON THOMAS / STRAVINSKY

Celebrations of spring

Michael Tilson Thomas has been conducting the London Symphony Orchestra in a trio of Stravinsky concerts - dedicated to his "stage works", though some of those programmed are rarely staged, and the 1943 Ode is a pure concertpiece. In fact the series just provided an excuse to fill the Barbican Hall for one of the ever-popular ballets each night (Firebird, Petrouchka. Riae of Spring), while

completing the programmes with less familiar works. And why not? I heard the last concert, which ingeniously matched two very different "spring" celebrations: the Rite, of course, and Persephone, the halletic "mélodrame" Stravinsky composed in 1934 for Ida Rubinstein to mime and declaim. That was a collaboration with André Gide, and not a happy one. Stravin-

sky detested Gide's verses, and

Olde was anosiled by the way Stravinsky set them, rudely ignoring the prosody.

work has its fragile, ethereal charms. It tracks Perséphone's descent into Hades, and thence upwards, after she negotiates a spring and summer of each year to revisit Earth. The music - with adult and children's choruses, and

a tenor role for the priest Eumolpus - recalls Stravinsky's earlier Apollo: but softer, lighter, without ingency.

The Tilson Thomas performance was well and thoughtfully prepared. But I thought the London Symphony Chorus too numerous, the choral weight excessive for the music; surely Stravinsky envisaged a smaller group? The New London Children's Choir was fine. Stephanie Cosserat declaimed Perséphone gracefully and plainly; American tenor with a big sound and adequate French, but no sense of theatrical narrative.

INTERNATIONAL

Arts Guide

ADELAIDE

State Opera of South Australia The Ring: first cycle of Wagner's opera. Staged by Pierre Strosse and conducted by Jeffrey Tate, this performance of The Ring is the first in Australia since 1913: Nov 24

AMSTERDAM

OPERA Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Settars. Cast includes Donald McIntyre, Thomas Randie and Willard White; Nov 26

BARCELONA EXHIBITION Fundació Joan Miró Tel: 34-93-329 1908 www.bcn.fimiro.es Magritte: an exhibition celebrating the centenary of René Magritte's birth, it contains

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over 90 paintings and 50 photographs by the Belgian Surrealist, which are grouped into 5 recurrent themes from his

CHICAGO CONCERT Orchestra Hall Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: conducted by Riccardo Challly in sohn. With mezzo-soprano Petra Lang and baritona Simon Keenlyside;

OPERA Lyric Opera of Chicago Tel: 1-312-332 2244 www.lyricopera.org Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 24

COLOGNE OPERA Oper der Stadt Tel: 221-221 8400 Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samoral; Nov 27

HELSINKI

Firmish National Ballet Tel: 358-9-403 021 Giselle: staging by Sylvie LONDON Guillem. With sets and costumes

OPERA Finnish National Opera Tel: 358-9-403 021 Anna Bolena: by Donizetti. Conducted by Maurizio Barbacini In a new staging by Jusei Tapola, with designs by Anna Kontek;

HUDDERSFIELD

by Ramón B Ivars. Conducted by

David Garfoth: Nov 24, 26, 28

CONCERTS Hudderstield Contemporary Music Festival Tel: 44-1484-430 528 Elliott Carter 90th Birthday Tribute: works by Carter, including the European premiere of his Piano Quintet, performed by the Arctiti String Quartet and

Hall; Nov 27 Northern Sinfonia: conducted by Thierry Fischer in Simon Holf's Triptych, and Diana Burrell's Clarinet Concerto. With cello soloist Zoe Martiew and clarinet soloist Robert Plane; Nov 26

DANCE

pianist Ursula Oppens; St. Paul's

Huddersfield Contemporary Music Festival Tel: 44-1484-430 528 Jonathan Burrows Group: three dancers perform new work drawing on music and ideas by Matteo Fargion, Tom Johnson and Kevin Volans. Lighting by Michael Hulls; Lawrence Betlev

Theatre: Nov 24

CONCERTS Barbicon Holi Tel: 44-171-638 8891 London Symphony Orchestra: Sir Colin Davis conducts a series of works by Elgar, Nov 25

Royal Festival Hall Tel: 44-171-960 4242 Estonian Phitharmonic Chamber Choir: with the Talling Chamber Orchestra, Tonu Kalluste conducts work by Estonian composers Erkki-Sven Tuur and Arvo Part; Nov 26

English National Opera, London Coliseum Tel: 44-171-632 8300 Boris Godunov: by Mussorusky. Conducted by Paul Daniel in a new staging by Francesca. Zambello. John Tomlinson sings the title role; Nov 24, 27

National Theatre Tel: 44-171-928 2252 Betrayat: by Harold Pinter. Trevor Nunn directs Pinter's 1978 play, with a cast including Anthony Calf and Imogen Stubbs; Lyttleton Theatre; Nov 24

MILAN EXHIBITION Pinacoteca di Brera La Dama con l'Ermellino: Leonardio de Vinciis 1489 portrait of the young mistress of Ludovico il Moro travels to Italy

for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to

MUNICH CONCERTS

Philharmonie Gasteig Tel: 49-89-5481 B181 Danish National Radio Symphony Orchestra: conducted by Gennadij Roshdestvenskij in Rachmaninov and Stravinsky. With violin soloist Viktoria Mullova and pianist Viktoria Postnikova; Nov 26 Munich Philharmonic Orchestra: conducted by Zubin Mehta in works by Liszt, Beethoven and Beriloz. With piano soloist Radu Lupu; Nov 24

NAGOYA EXHIBITION

Matsumkaya Art Museum The Carmen Thyssen-Bornemisza Collection: touring show of 94 paintings, ranging from the 18th century to the early 20th. Highlights include 19th century Spanish works and works by American painters. Also on display are recently acquired works by Delaunay and Braque; to Dec 8

NEW YORK OPERA

Metropolitan Opera, Lincoln Tel: 1-212-362 6000 www.metopera.org

La Bohéme: by Puccini. With Julius Rudel conducting and a cast which includes Francesca Pedaci, Gwynne Gever and

PARIS CONCERTS Saile Pleyel

Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Frans Brüggen in works by chumann and Mendelssohn. With violin soloist Thomas Zehetmair; Nov 25, 26

OPERA Opéra National de Paris, Opéra Tel: 33-1-4473 1300 www.opera-de-paris.fr

The Merry Widow: by Franz Lehår. Conducted by Armin Jordan and with a cast including Frederica von Stade and Hakan Hagegard: Nov 25, 27

SAN FRANCISCO CONCERTS Davies Symphony Hall Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Haydn, Shostakovich and Brahms. With piano soloist Vladimir Feltsman; Nov 25, 27,

Nov 28 OPERA : San Francisco Opera, War Memorial Opera House Tel: 1-415-864 3330 Norma: by Bellini. Conducted by

Patrick Summers in a staging by Andrew Sinclair. The title role is sung by Carol Vaness; Nov 24,

TOKYO CONCERTS Suntory Hall

Japan Shinsei Symphony

Tel: 81-3-3584 9999

Stravinsky: Nov 25

Orchestra: conducted by Ondrei Lenárd in works by Mahler, Nov 24 Russian National Orchestra; conducted by Mikhail Pletnev in works by Tchaikovsky and

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06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19,30; World Business Today 22.00: World Business Today

 Business/Market Reports; 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

replaced them - for example as underwriters of corporate bonds or arrangers of

securitised debt. But they have few special advantages in either role.

by filling the remaining

maturity transformation

moments in the cycle,

vaults from risk-averse

go the elaborate regulatory

structure erected to contain

Alas, human nature does

oot work like that. Banks

impetus to survive; so do

regulators. The risk is that

own existence, leading the

banks to speculate on ever

more risky transactions

within the shelter of the

pecause of their past role

Some of those transactions

will be clearly speculative,

privileges given them

as in their proprietary

trading activities. Others

loans - such as those to

Management - but will

A banking structure

asset-liability mismatch -

maturity transformation

banking's traditional "lender

south-east Asia or

actually be hidden

created to handle a

redundant type of

will seek out other

mismatches. Central

of last resort" doctrine,

devised to cope with the

liquidity risks of maturity

transformation, will find itself stretched to breaking

point. Shareholders who still

think of banking in historic

repeatedly blindsided by the

desperately rush to assume.

But the grieving throng around the deathbed face a

long and expensive vigil.

Traditional banking is dying.

terms will find themselves

new risks hankers

position-taking.

Long-Term Capital

will look like conventional

traditional role is

the risks of maturity

bankers and banking

supervisors should be

transformation. Central

PETER MARTIN

A long goodbye

The heart of banking - turning short-term deposits into longterm loans - is coming to an end, but banks will not go quietly

Banks have no future. Their economic purpose is redundant. To survive, they must find another role: adviser, speculator, fund

This is the underlying truth behind such transactions as Deutsche Bank's mooted acquisition of Bankers Trust, or Citibank's merger with Travelers. It is a dangerous truth, for in seeking to avoid it, bankers assume ever greater risks.

Since the first medieval coldsmith diversified beyond the strong-room business. banks have had a single role: the turning of short-term deposits into long-term loans. Whether explicitly long-term, as in German corporate lending, or notionally short-term, as in British overdrafts their assets have been effectively nostages to the future. Their liabilities, by contrast, have been immediately payable.

It is this inherent mismatch that has provided banks with their raison d'etre and their profits. Its Intrinsic riskiness has led to the creation of central banks, regulators and lenders of last resort.

It remains risky. But it is increasingly redundant. Electronic technology and financial innovation are creating a world in which maturity transformation is

Economic actors individuals, households companies - will no longer require this service. Their portfolios of assets and liabilities will be broadly matched in maturity terms: short-term assets will match short-term liabilities, longerterm liabilities will offset longer-term assets.

This is already visible, particularly in the US. individuals needs for

OĽ.

retirement income) are now

matched by their purchase of equities. Their shorter-term needs for credit to finance the purchase of consumer durables are matched by loans of a maturity that reflect the useful life of the product, or by credit-card loans with a comparable life. Some of their cash

balances, it is true, are still held in banks. But, increasingly, household cash not needed for immediate use is placed in moneymarket funds - and thus recycled into short-term lending to companies. Not much scope for maturity transformation here. Similarly, US companies

raise equity and Issue bonds and commercial paper. Or they perform maturity rransformation themselves, bundling together short-term receivables and selling them as longer-term securitised

This is usually described Banks are not needed, it is said, because companies

lend directly to one another, cutting out the middleman. That is true. But it is only nart of the story.

More important is that. during this process, maturity transformation drops out. Sometimes that requires innovation, as in the securitisation process. Sometimes it requires technology, as in the gradual elimination of "float" from the settlement of financial bargains. Always it requires a degree of sophistication on the part of customers that was not present before.

The threat to banks is profound. They will still retain a role in running the avments mechanism - but only because of regulatory favouritism. Without such implicit protection. computer service companies would be able to run the system much more

Banks will still be able to sell packaged financial products to mass market customers. They will be able to earn a fee for facilitating the transactions that have





LETTERS TO THE EDITOR

kind that has long been lower dollar as a way of

advocated by Professor addressing the current

account deficit in the US.

Part of the motivation for

Mr Bergsten's concern is the

born too strong. But it is not

address this - a dramatic cut

in European interest rates

would nip any incipient ten-

dency to excessive euro

appreciation in the bud. One

aspect of running monetary

policy for a putative global

reserve currency is straight-

forward - if there is exces-

cut. My advice to Wim Duis-

and the value of the euro

head of currency strategy. Morgan Stanley Dean Witte

Ravi Bulchandani,

Currency regime proposal is unrealistic | Democracy

Ronald McKinnon of Stan-

The level of co-operation

necessary for such a regime

would be hard to achieve.

The dispute over global

hanana trade is hardly calcu-

lated to make one optimistic

international policy co-

ordination. I find it hard to

believe that, if faced with a

serious recession, the US

would be able to resist

depreciating its way to pros-

perity, thus making a mock-

ery of any attempts at target

zones. If, for example, the

dollar were testing the bot-

tom end of its agreed ranges

because of a widespread per-

ception in markets that US

growth was faltering, the

required policy response from the US would be higher

credible or sustainable pol-

about the present state of

ford University.

They will still earn a crust From Mr Roui Buichandoni Sir, In his Personal View gaps, for example on those ("How to target exchange rates", November 20) C. Fred occasions when companies Bergsten summarised the takeover, perhaps) at very yearning in some quarters for more stable exchange rates globally. In doing so, money will flow into their he ignored the main lesson to be learnt from attempts to investors, as happened this fix exchange rates in a world autumn. But otherwise, their of free capital flows. There are few viable alternatives disappearing. With it should between completely fixed

exchange rates - or one

money as in European eco-

nomic and monetary union -

and freely floating exchange

Agreement on exchange actively preparing for their rate target zones implies that countries are willing to give up a measure of monetary policy sovereignty for have a powerful institutional the supposed common good of more stable exchange rates. To be consistent with they collude to protect their the lessons of experience, Mr interest rates - hardly a Bergsten must be arguing

for the re-establishment of a cy response. And I seem to commonly agreed global recall that Mr Bergsten has monetary standard of the often argued for a much ECB is not entirely 'a law unto itself'

Fram Mr Constantin

Sir. Professor Paul de Grauwe ("Law unto itself". November 12) says the politic Prof de Grauwe refers to cal independence of the European Central Bank has been based on a "primitive political theory" which assumes that politicians are always trying to get their way with the central bank (presumably low interest

rates, especially in the run-up to elections). It may be "primitive", but is that not the reality? No one less than Alan Blinder, a former vice-chairman of the Federal Reserve Board, showed how game theory can be used to illustrate the relationship between the Fed and politicians. The object is for one player to force the other to make the unpleasant decisions (ie the Fed tries to get the politicians to

restrict government spending, the politicians pressure the Red for lower interest

US politicians as "stakeholders" in the Fed. Perhaps they are in good times, but they did not rush to the Fed's defence in late 1990/ early 1991 when the US was in recession and inflation peaked at more than 8 per cent. Also, members of the Fed are shielded from these short-term stakeholders by serving long terms: 14 years for members of the board, and until retirement age for presidents of the Federal Reserve Banks.

The ECB is accountable to holders of the euro, to whom it promises that the domestic purchasing power of the currency will fall by less than 2 per cent a year, on average. The bank is also accountable to the governments of the

If the ECB were to get horribly wrong, it would be easy to obtain a unanimous decision from member countries to censure the bank. But it seems unlikely that the ECB would wish to manoeuvre itself into such an incriminating posi-

Perhaps therein lies a reasonable guarantee for monetary stability in the eurozone. In the meantime, politicians should focus less on the ECB and worry more about why the European Union still has nearly 17m. unemployed. At least the ECB cannot yet be blamed

Constantha Vayenas, Museumstr.11. 5200 Brugg,

in the east and west

Teresa Ms

fear that the euro will be Sir, In an interesting counterpoint to US vice-president as if the European Central Al Gore's controversial Anec Bank lacks the means to speech calling for increased democratisation as a way out of Asia's economic wees, Singapore elder statesman Lee Kuan Yew repeated his tired observation that democratic reforms were not a panacea ("Don't Expect Too Much" November 17).

Both men are right, sive global portfolio demand because they are not talking for your currency and if about the same thing. When there is little danger of infla-Al Gore or any western tion, interest rates should be leader mentions democra?... he is citing a political fraid. enberg (president of the ECB): cut early and cut often work grounded in a system of checks and balances. When Lee Kuan Yew disparagingly talks about democracy, he is referring to some Asian variant that fails to combine a popular electoral process with an authoritar

ian overlay. Western-style democracy presumes that corruption is humanity's universallyshared bane, which can be controlled by the impersonal and self-regulating mechanism of a multipartite government system. Lee Kuan Yew's paternalistic formula-tion fuels the mistaken impression that Asians are somehow more inherently corrupt than westerners and in need of guidance in above.

Western-style democracy may not be a panacea for economic malaise but, it's not so bad when you consider the alternatives. At the very least, a system of checks and balances would discourage the west from adopting Lee Kuan Yew's condescending prescription of not expecting too much from the east.

Teresa Wyszomierski, 61-37 56th Avenue. New York 11378, USA For the bird

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Death in a stairwell

After the assassination of a prominent reformer, John Thornhill and Arkady Ostrovsky consider the strange death - or murder - of market liberalism in Russia

gunned down Galina Starovoitova in the stairwell of her St Petersburg home not only most prominent reformist members of parliament but also fired a chilling shot at the country's nominally democratic political system.

"Starovoitova was one of the most courageous and uncorrupted people on the political scene," said one observer. "My feeling is that this was a qualitatively different type of killing to all those we have seen before. This was clearly a political murder."

While there have been many murders of public figures in Russia - including several members of parliament - it is hard to think of any in which the main motive had nothing to do with business dealings. In that sense, this looks to be post-communist Russia's first purely political assessi-

It has emphasised just how much political tensions have been ratcheted upwards recently in a country still struggling with the principles and practices of a

democratic society. Starovoitova's parliamentary colleagues were quick to hail her as an uncompromising democrat who snoke out against abuses of power The formidable, matronly Starovoitova was one of the most prominent opponents of the attempted coup by Communist hardliners in August 1991. After working closely with Boris Yeltsin in his early years as president, the conduct of the Chechen war. In recent weeks, she was an aggressive critic of the anti-Semitic tirades of country's political centre of General Albert Makashov, a gravity appears to have Communist MP, and cam-shifted decisively leftwards, paigned for his censure in parliament. (He broke the law by publicly saying "the makov, the prime minister, years of communism. yids should be jailed" and the Communist party at first cal of the "young liberal refused to disown him).

The St Petersburg police have yet to find Starovoitova's killers, and judging by ers, the murder of Starovothe record of Russia's crimi- itova is a personal but not a never gave the government nal investigators they are political tragedy; to them, the moral backing for marunlikely to do so soon, none nusses a moter resource the soon were the tion tempting the country reformist colleagues have selves by their association done secretly, as if towards autocracy,



been quick to pin the blame on the worsening climate of political intolerance in the country. Since the financial crash, public outbursts by extremists have become

more common. Anatoly Chubais, a former minister and leading reformer, discerns a silver lining, suggesting that Starovoitova's murder could work as a catalyst to unify Russia's democratic parties. "I am really convinced that more than ever before the country needs a powerful. and tough rightwing centre." be said, arguing its hour had

finally come. However, it may well be the tragedy of Russia's liberals that they have arrived at this realisation too late. In the past few months, the finding its embodiment in the person of Yevgeny Priwho has been fiercely critireformers" and "so-called

In the minds of many vot-Russia's liberal leaders have ket reforms. The only looking more like assassina-

with Mr Yeltsin's failed administration. Few voters seem to care much about the death of market liberalism in Russia.

In recent interviews with the Financial Times, Yegor Gaidar and Sergei Kiriyenko, two former reformist prime ministers, both concluded that Russia's liberals should have devoted more efforts to building a political constituency for reform. With the benefit of hindsight, they should have tried to mobilise support from the emerging middle classes they were striving to create, but who remained resolutely apolitical while they were making

their money. Mr Kiriyenko, whose reform drive this year crumbled in the face of parliamentary opposition and crashing world markets, said the reformers had underestimated the amount of time necessary to change the public consciousness after 75

assume that society understood the price it needed to pay for these reforms and was ready to pay it," he said. is grim. It was once said that "As a matter of fact, people the Tsarist system was

However, Mr Gaidar, who launched Russia's market reforms in 1992, said it would be premature for Russia's liberals to abandon hope, arguing there were millions of voters - amounting to more than one-fifth of the electorate – who rejected communism and favoured. individual responsibility and

market reforms.
"I do not think that this part of the electorate will disappear. The possibility to create a political force with comparable strength to the Communists . . . really does exist," he said. "It seems as though the democrats in Russia are unified only in situations of extreme danger. And now it is clear there are such dangers."

Mr Kiriyenko suggested the crisis had begun to politicise the middle classes and he highlighted the extent to which liberal economic thinking has taken root in Russia. He pointed to an opinion polls showing that 48 per cent of Russians were opposed to printing money even if it was used to pay their salaries.

Both Mr Kiriyenko and Mr Gaidar argued that Mr Pri-makov's left-leaning government would be forced to revert to tougher liberal economic policies next year when its experiments with quasi-Soviet solutions resulted in high inflation and worsened Russia's eco-

nomic plight. The question is what happens then. The reformers clearly hope the country will turn back to them. But Sergei Markov, a politics professor at Moscow state university, believes that even if Mr Primakov's government collapses, it is unlikely to rebound to the liberals' polit-

ical advantage. "The liberals can only criticise," says Mr Markov, "they cannot consolidate their position. If the moderate leftists who are currently in "We were too quick to the government fall, they will be followed by nationalists, not liberals."

If he is right, the outlook the Tsarist system was "autocracy tempered by assassination". Now it is

THIRD QUARTER 1998 FINANCIAL RESULTS (Reviewed by Ernst & Young, Bohrain) CONSOLIDATED BALANCE SHEET (US\$ million) (At 30 Sept 1998) 30 Sept 98 30 Sept 97 ASSETS Liquid funds 3,231 7,353 2,806 6,929 Marketable securities Placements with banks and other financial institutions 13,016 Loans and advances 11,526 Interest receivable 63 132 investments in associates Other investments Other assets 385 313 Premises and equipment 475 455 20,204 25,197 LIABILITIES 10,389 8,323 241 362 10,315 Deposits from customers Deposits from banks and other financial institutions 10,664 Certificates of deposit 132 interest payabi Other liabilities 377 Minority interests 317 22,125 20,009 TERM NOTES, BONDS AND OTHER TERM FINANCING 1,296 1,481 SHAREHOLDERS' FUNDS 1,000 1,000 Share copital (75) 705 (74) 787 Reserves & retained earnings Current period's profit <u>63</u> 114 1,776 1,744 25,197 23,234 CONSOLIDATED INCOME STATEMENT (US\$ million) (9 month period to 30 Sept 1998) Jan - Sept 98 Jan - Sept 97 DICOME FROM OPERATIONS 308 265 Net interest income 214 Other operating Income TOTAL INCOME 573 533 Operating expenses (296)OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS 237 (136)Loan loss provisions (55) PROFIT BEFORE TAXATION AND MINORITY INTERESTS 182 (36) (32) Toxation on foreign operations Minority interests in subsidiaries NET PROFIT FOR THE PERIOD 114

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A taxing

harmonisation

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Share prices relative to FTSE All-Share index detased

FINANCIAL TIMES

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Tuesday November 24 1998

A taxing harmonisation

made no bones about his ambi- have a different tax structure tions for tax reform in the European Union next year. Once the euro has been launched on January 1, he will be promoting tax harmonisation between the member states, both to shut down tax havens, and to shift the tax burden from labour to corporate taxation. His ideas seem certain to run into fierce opposition from the UK government, not to mention the Irish, the Luxembour-

5.1 44

A STATE

gers and the Danes. Members of the future eurothe danger of some countries using tax competition to attract investment, once a single currency has eliminated exchange rate competition between them. The low corporate tax rate in ireland, for example, is seen by many EU members as an exam-

ple of such "unfair" competition. Highly taxed countries like Germany, Belgium and Austria are also concerned at the tax evasion they see when private investors move their savings to lowlytaxed countries, like Luxembourg. However, before they embark on a clumsy and probably unworkable exercise to harmonise taxes, they need to be clear where the problem lies.

In some cases, tax discrimination can be a disguised form of state aids, where there is a different tax rate for the same activity, for example between a foreign and domestic investor. That

Oskar Lafontaine, Germany's should be firmly discouraged. mercurial finance minister, has But where a country chooses to from its neighbours, because it is considered more equitable or more efficient, that cannot be regarded as unfair competition. It is perfectly legitimate.

It is precisely for that reason that questions of tax policy are still subject to unanimous decision-taking in Brussels, Gordon Brown, the British chancellor, is quite right when he insists he can always use his veto on unacceptable harmonisation. He is determined that highly-taxed and zone are undoubtedly worried at high-spending countries like Germany should not be allowed to protect themselves from genuine competition from those who are more prudent.

There are some grounds for introducing greater tax transparency, and a greater exchange of tax information. But to work that has to be done at a wider level than just the EU. The very least is an agreement covering all members of the Organisation for Economic Co-operation and Development. A compulsory withholding tax would threaten to drive non-EU investors from European markets, to the detri-

ment of the EU as a whole. Mr Brown is right to remind his partners of his powers of veto over tax harmonisation. Mr Lafontaine would do well to think very carefully about what be proposes, before he rushes into a damaging and divisive bat-

For the birds

people very happy: now the UK open to two objections. government is going to do it to . The bird to be published annually in Octoher will be one of 13 separate atlatics, which ministers describe as a new barometer of

the quality of life.
This will provide a harmless occupation for official statisticians, and may give innocent pleasure to some members of the public who do not already have access to the figures. The indices range from the familiar gross domestic product, through public investment and housing quality to measures of air pollution, climate change, water quality and wildlife.

They will be brought together to emphasise the importance of environmental and social concerus alongside more traditional measurements of economic welfare. Ever since 1932, when the IIS Commerce Department started to prepare comprehensive national income statistics, it has been obvious that GDP is an incomplete measure of national welfare. Countries may get rich while also becoming more squalid, squandering natural resources and ignoring social

deprivation, A Labour government is more than entitled to draw attention to such problems and to publish rel-

Counting wildfowl makes some them into a single barometer is

First, the selection is arbitrary help everyone assess their state. Why, for example is public emphasis than private investment? Why measure birds rather than cats? And why were divorce, crime, drug use, poverty hospital waiting lists, or watch ing football not included?

The list is so slanted, that any party - or individual - could make a different selection. Conse quently, the basket of indices could well be modified after a change of government; and it is never likely to command the gen eral respect accorded to more objective measures, such as the retail price index or GDP.

Second, and more important, 12 of the government's 13 indices represent some (and only some) of the competing priorities on which individuals and their elected representatives can chose to spend their cash. The 13th GDP, is different in kind. It measures the cash value of what society has spent. In a free society, people may choose to spend their incomes in a myriad different ways. Combining these indices might, therefore, confer a spanious objectivity on the choice by a particular set of ministers, anxious to placate different lobbies

All in all, this looks too much like a gimmick, whose real purpose is to give a precision to govevant statistics. But combining ernment aims they cannot bear.

One-man shows

Tony Jackson argues that there are lessons in the Siebe/BTR merger that could apply even to Microsoft or News Corp

n a world of ever-vaster bids and deals, yesterday's £7.6bn (\$12.8bn) merger of seems to merit particular attention. True, in one respect it is a sad ending to a remarkable tale. Throughout the 1980s, BTR was one of the brightest stars in the UK corporate firmament. Now, after a prolonged decline, it has been snuffed out. True, too, it is the beginning of

a brave new story - that of Siebe's emergence as a world-class engineering company (see below) - or so the deal's proponents would have it

But the real lessons of BTR's demise have a broader application and are less comfortable, not least for Siebe itself. They throw into unsettling relief the continued problems of conglomerates and, especially, the difficulties of companies made in the image of their creator.

BTR was built by one man Str Owen Green - on a single generic skill, and that good managers could manage anything. In the end, this proved false; but in the event, the strategy proved impossible to reverse.

In its heyday BTR, like Hanson, was a pure acquisitive conglomerate. It thus typified a cor-porate model which, by the early 1990s, plainly had no future.

Hanson conceded the point and split itself up. BTR, though, had always aspired to higher things. Other conglomerates might be mere asset traders: BTR was a manufacturer.

So if the name of the game was now focus, BTR would become a manufacturing specialist. Hence its disposal programme, which has halved the group's revenues in a little over two years.

The aim was to become a pure engineer. As the plunging share price showed, the strategy failed. So BTR has now thrown itself on the mercy of Siebe, whose engineering credentials are rather better established

But there is an unsettling parallel. When Sir Owen Green took over as chief executive of BTR in 1967, it was a tiny company with a distinguished past and no future. Its anormous growth in value - to more than £14bn at its did not survive his retirement.

Likewise Stebe. When Sir Barrie Stephens took over in 1968, it had a fine history as a 19th century engineer, but its revenues had dwindled to a mere 21m. Its growth since than - less spectacular than BTR's, to be sure - was likewisa his monument.

The parallel can be pressed. Sir Owan retired in 1983. In August volume - a skill which BTR, it off.

ew of the tourists who queue every year to view the Queen's residence at Windsor Castle realise they are just a bell bearing's throw from the headquarters of Britain's fastest-growing engineering company. And that is just as the secretive Siebe likes It.

But yesterday the company, by merging with BTR, became Britain's largest purely engineering outfit - bigger than GKN or Rolls-Royce with annual sales merger, it claimed to be consolidating its position as "global eader in controls and automa tion". The result is that on Sieworld-class engineering busiseems, never really grasped. Deflation, it seems, has claimed another victim.

underperformed by 87 per cent. Sir Barrie, his junior by some four years, did not retire until last May. In that month, Siebe too hit its all-time high relative to the market. Since then it has

underperformed by 40 per cent. Given BTR's longer decline, the reversal of fortunes has been remarkable. At its absolute peak in 1994 BTR was worth £14.2bn, while Siebe was worth £2.5bn. By compressed air machines. last Friday's close, Siebe's value was 24.5bn, while BTR's had

slumped to £3bn. With hindsight, it is fairly easy US company. to say where BTR went wrong. Ostensibly, its skill was to buy ill-run companies and make them more efficient. In reality, it relied

One of Sir Owen's senior lieutenants, the late John Cahill. firmed BTR's conglomerate stawould relate how he bo the 1980s and promptly doubled their prices. There would be idea was dying. howls of protest from Detroit, but Now, that may be changing most would fall in line.

heavily on one tactic; pushing up

of that year, BTR's shares hit

their all-time high relative to the

child of inflation, a one-trick still something of a ragbag. That pony. Today, prices of manufac- is, Siebe is taking a step back tured goods are in steady decline. towards the conglomerate image The only response is to raise unit which it been at pains to shake

market. Since then they have But Siebe, its admirers will protest, is nothing like that. For a start, it was never an acquisitive

Really? In the mid-1980s, the heyday of the conglomerates. Siebe made anything from gas masks and wound dressings to fire engine ladders. It doubled and trebled its size by acquiring makers of garage equipment and

Its present image as a maker of sophisticated process controls dates from 1990, when it acquired Foxboro, a venerable but flagging

For Slebe, it was the defining purchase. The equivalent for BTR was the 1983 acquisition of Thomas Tilling, a failing conglomerate much larger than itself. But while Tilling con-

agein. Though BTR is presented In this respect, BTR was a as a seamless fit, in reality, it is

Its future may thus be less clear-cut than its supporters would have us believe. Just six months after the departure of the man who made it, Siebe is taking a gamble which could make or

break it.

Sir Gwen Green of BTR (left)

1995

1995

ance Electr \$1.6bg

It is at this point that the tale of BTR and Siebe comes to illustrate a general truth. It is unsettling to recall how many companies in recent years have failed to establish a life independent of their founders.

Obvious cases are Hanson and Lonrho, which lasted only as long as Lord Hanson and Tiny Rowland respectively. But who can seriously believe that News Corporation will long survive Rupert Murdoch? Indeed, who would give odds on Microsoft's future if Bill Gates fell under a

This is not to say all companies with high-profile, dominating bosses are vulnerable. These cases are very different from component suppliers in the US in specialist high-technology engi- such well-known executives as neer just as the conglomerate Jack Welch of General Electric or merely one distinguished figure in a line which stretches back to Thomas Edison. Mr Gerstner deserves credit for reviving the creation of Thomas Watson Spr. but he is no longer indispensable

The BTR saga raises a further awkward question. The company turns out to have been a onetrick pony. That is easy to see with hindsight. But how many other one-trick ponies are enchanting investors today?

TR (Switchted

\$130

BTR (Pollux)

BTR - Siebe

Consolidation of centrol and automation

1937

Siemens (Electrowatt/ Landis & Staeta

Siebe (APV) \$489m

That is to say, how many com panies are enjoying success contingent on a set of finite circumstances? Some of them may be the stars of today's market. For after all, it is those companies which best match their circumstances that do best while the good times roll.

BTR flourished by exploiting inflation and an inefficient market for corporate control. Which companies are now thriving on deficient markets? Which are making hay from the giobalisation of trade, and how will they fare if protectionism returna?

It may seem a long way from such reflections to the fairly mod-It might also seem implausible that such mighty entities as

Lou Gerstner of International Microsoft or Dell Computer Business Machines. Mr Welch is could fail to survive their founders. But when the climate turns, it

turns fast. Recall that when Sir Owen Green retired six years ago, BTR was the seventh biggest company on the UK stock exchange: and look at it now.

Britain's engineering hope

It is a formidable challenge. From a position 150 years ago when the likes of James Watt. Samuel Crompton and Isambard Kingdom Brunel were well known for their role in creating the UK's industrial revolution, British engineering has fallen into obscurity.

The industry complains that of over £8bn. Through the not enough young people are studying the discipline; John Robinson, chairman of the Confederation of British Industry's technology committee, said last be's shoulders must now rest month that university applica-Britian's hopes of having a tions for engineering degrees had fallen 28 per cent in three years, with physical sciences

find enough qualified people. Britain has about 500,000 people doing an engineering job carrying a technical qualification, working not just for companies making engineering products

but those such as utilities or an engineering side. According to recent surveys, such companies need up to another 25,000 such people - a huge shortfall.

not to be salaries, which are comparable to those in other professions (at least for qualified work.

The upshot is that many UK they do, which many judge to be engineering companies cannot at least as interesting as in disciplines with more cachet such as medicine. Rather it is because many people equate engineering with dirty, dangerous or boring

Few of Britain's biggest engineers have been able to change chemical suppliers which have this poor image - and Siebe is no exception. In Germany, engineers may like to go to work for a company producing expensive, smooth-running cars. But it is The biggest problem appears bard to get excited about what Siebe does - producing widgets and systems that make factories

To be fair to Siebe, the seroengine supplier Rolls-Royce the one big UK engineering success story with products that virtually everyone can identify with - has done no better. Its senior executives are almost as reluctant as those at Siebe to lend a hand in brightening the dull image of the discipline in the

The merged company, with over 10 per cent of the global market for factory controls and automation, is a world-class outfit. But until the UK's engineering industry can attract the most talented people, it will find it hard to extend Siebe's success into other areas.

OBSERVER

US and Asia Bill Clinton and Al Gore have Mohamad, allowing him to play

both been on trips to Asia. But the audience they were really addressing was back home. The White House should beware. Playing to the domestic gallery could create an Asian backlash. Mr Clinton's hard words on

trade in Tokyo, on chaebol in Seoul, and Mr Gore's speech to the Asia-Pacific Economic Co-operation forum in Kuala Lumpur, were carefully calibrated to register well in the opinion polls. A slowing economy means that the growing US current account deficit, largely ignored during the record expansion, is once again becoming a hot topic. Mr Gore, his sights fixed on the Democrat presidenhal nomination, needs to appear tough on trade and foreigners:

Apec provided a stage. Asian leaders should heed these warnings. The changing tones of US domestic politics are central to US foreign policy. But the US should be careful too. Mr Clinton's tough words on the South Korean charbol have given chaebal apologists a political stick with which to beat President Kim Dac-jung - accusing Mr Kim and his much needed reforms of playing into the hands of meddling Americans. Mr Gore's words on Malaysian protests, purportedly designed to larly handed an advantage to pollsters, the US risks underchampion the reformers, simiprime minister Mahathir

the nationalist card.

South Korea, Indonésia and Thailand have little choice but to try to export their way out of trouble. Deep recessions were imposed on these countries, in part by policies urged by the International Monetary Fund and the US Treasury. The US can hardly complain if exports now neresse.

Provoking a backlash will distract from the central issue. A Japanese recovery is a prerequisite for a wider Asian recovery. And until the Japanese government begins to tackle the structural weaknesses and overcapacity of its economy, a recovery there looks unlikely.

Japan cannot rely on exporting its way out of trouble or US trade hawks will not be the only people to squawk. Japan must belp its neighbours by absorbing their exports. Mr Clinton was right to point this out. But aiming primarily for political points at home, rather than progress in

Japan, obscures the message. Furthermore, trade disputes could leach into security matters. North Korea, instability in Indooesia, and respect for human rights in China are all difficult matters requiring both US leadership and co-operation with Asian governments. But by heating the drum to the tune of domestic mining its legitimate role.

Deutsche marks Dimon's card

Deutsche Bank hasn't fought shy of hiring big in the US, even if it has sometimes ended up with egg on its face. Two years ago it hired Silicon Valley investment banker Frank Quattrone - who jumped ship last July to Credit se First Boston talding more than 100 of his technology experts with him.

But now that it seems to have Bankers Trust in the bag, Frankfurt is wondering whether Germany's biggest bank will try to hook another big fish - Jamie Dimon, 42, following his departure this month as president of Citigroup. Dimon would surely demand a

top-notch job - like running the new investment banking unit. But that was apparently earmarked early on for Bankers Trust chairman Frank Newman. perhaps in tandem with Josef Ackermann, Deutsche's head of investment banking. Rumours on Wall Street

following the forced resignation of Dimon three weeks ago had a discontented Bankers Trust board ousting Newman in favour of the dynamic Dimon, But Newman's position may be more secure under his new German masters. And, for the ambitious but wary Dimon, even a senior position at Deutsche Bankers Trust might not cut any ice. He has been badly burnt by

events at Travelers Group. His relationship with his mentor Sandy Weill - now co-head of the merged Citigroup deteriorated after a row over the role of Jessica Bibliowicz, Weili's daughter, who left the firm. Dimon might steer clear of putting his fate in the hands of a bigger boss.

Soft cellar

Rome wasn't built in a day, but the foundations for Project Rome - the codename for the merger of Siebe and BTR, two of the venerable names of British engineering - may have been laid longer ago than three and a half weeks, the timetable given by both companies yesterday.

Observer spotted BTR boss lan Strachan nine weeks ago at Möet & Chandon's cellars in Epernay, east of Paris, where he was spending a weekend in the champagne house's glorious guest house, the Chateau de Saran. The guest list also included Piers de Montfort and Sir Anthony Tennant, two of Siebe's advisers from Morgan

the fizzy stuff. On the loose

Stanley. A suitably old world

setting for a discreet word over

Maybe it's a coincidence maybe not. Just after Israel released 250 Palestinian prisoners, a gang of thieves pulled off what may be the

graph angent and the second of the second of

biggest heist in West Bank history. At the weekend, a dozen masked and bewigged bandits held up a van from the Cairo-Amman Bank as it wove its way through the scenic hills between Hebron and Ramallah: they fired a few shots and ran off with \$500,000 in cash. Palestinians were furious last

stage of the peace process, Israel freed straightforward criminals rather than the political activists the Palestinians had been hoping to welcome home Police are not yet sure whether

the robbers were israells, Palestínians - or both. As Yassir Arefet and Benjamin Netanyahu grope towards some sort of accommodation, Arab and Jewish criminals have been quicker to recognise that working together can really pay off.

Shipshape shop

Employees of Mitsui OSK Lines were puzzled when Masaharu Ikuta, president of the Japanese shipping outfit, cleared out two whole floors at Tokyo head office in the summer. Times are tough, so staff wondered - not always quietly - why lights didn't rent out the space to earn a few ven. The boss maintained a Zen-like

silence. All became clear at the veekend when Mitsui launched its takeover of tanker titan Navix Lines: the space is reserved for Navix staff. Ikuta admits that his space clearance must have looked "crazy" to the 1,130 Mitsui employees, but he's oleased that he managed to keep the merger plan a secret.
The whole thing got under way last year at a party held by executives of Cosmo Oil, the troubled petrol group, Ikuta and Navix boss Noriaki Hori slipped outside for a chat and ended up

shaking hands on the bones of a

communication is all very well, it

seems, but forward planning

Mouthpiece

takes precedence

merger. Corporate

Yuri Luzhkov, Moscow's populist mayor, has a lot of explaining to do if he wants to win the Russian presidency in 2000. Earlier this year, he seemed to be flirting with the communists, then last week he formed a new party -Fatherland - which he said would woo the political centre.

So what better spokesman for Luzhkov than Sergei Yastrzhembsky who, as the voice of the Kremlin, issued regular "clarifications" of the remarks of President Boris Yeltsin?

Yastrzhembsky lost his Kremlin iob a couple of months back. apparently for opposing the appointment of Yevgeny Primakov as prime minister. Now the former diplomat has swapped the communist-bashing president for the IMF-bashing pretender. His clarification skills had better be in good shape.

Peter Marsh Financial Times 100 years ago

Regeneration Of Spain Saragossa, 22nd Nov. The Commission appointed by the consider the political and

General Assembly of Spanish Chambers of Commerce to administrative reorganisation of the Army and Navy has concluded its report. It suggests that the State arsenais should be closed. that the Merchant Marine should be placed under the control of the Ministry of Agriculture and Trade, and that the rewards offered to officers in connection with the campaign against the rebels in Cuba should be revised. It is proposed that the holding of any State employment should be declared incompatible with the duties of mayor or deputy.

50 years ago S. Africa Election

Cape Town, Nov 23, Hopes that the natives will retain parliamentary representation in South Africa are believed to be seriously affected following the election of a new Natives' Representative in the House of Assembly for the Cape Western constituency. Mr. Sam Kahn, a Communist was elected, defeating Mr. D.M. Buchanan, United Party, and Mr. van der Merwe,

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TUESDAY NOVEMBER 24 1998



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THE LEX COLUMN

e-competition

America Online's proposed acquisition of Netscape looks like the most serious challenge to Microsoft in a decade. That verdict may seem laughable at first sight. America Online, after all, was until recently dismissed as a company that would rapidly be made obsolete by the

Netscape, meanwhile, has been so hattered by Microsoft's hardball tactics that it is now agreeing a takeover at less than half its 1995 share price peak. Investors even marked up Microsoft's stock on the basis that the creation of a stronger competitor would undermine the government's antitrust suit.

They should reconsider. With 14m customers. AOL already has the leading consumer franchise on the internet. Adding Netscape will help attract more sophisti-cated users and steal a march in Europe, the next great growth area. The combined group will control two of the top three domains on the web in terms of traffic: aol.com and netscape.com, And Netscape's recent foray into e-commerce software gives AOL its first entry to business customers, though it is likely to do this in

conjunction with Sun Microsystems. Just as worryingly, this deal would move AOL out of the Microsoft camp, whose browser it has been using, and into the arms of Sun and Oracle. This coalition may well be able to provide real competition to Microsoft when It comes to setting the future standards for the internet.

Siebe/BTR

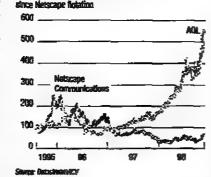
News

BTR's suffering throughout the tortured transformation from coreless conglomerate to eclectic engineer has at last ended. But is this at Siebe's expense? To judge from the ecstatic market reaction to the agreed merger, apparently not. But the 40 and 13 per cent rises respectively in BTR's and Siebe's shares should be taken with a

The aim is to create a world class automation and controls company to rival Siemens. ABB and Emerson. Still, simply meshing the two companies' control systems businesses, which sit at opposite ends of the engineering value chain, will

The ability to provide turnkey solutions for industrial customers is important, but there is no need to manufacture every-

America Online and Netscape Share prices relative to the S&P Composite



thing in-house to do so. And there is also a lot more to BTR than just that division. Taking on its struggling automotive division and specialist engineering mish-mash will deat Siebe's credibility as a focused

Since BTR alone was hard enough to manage, it can be little surprise Siebe has such low expectations of the savings that can be created. Enhanced purchasing power and lower corporate and selling costs are seen as saving £250m in year three. Taxed, discounted to present value and put on a multiple of 10 times, such savings could be worth £900m after deducting \$400m of upfront restructuring

However, over £1.8bn was added yesterday to the companies' combined market values. The best explanation for the missing 5900m is investor relief that BTR's misery is over. The hope is that a combined Siebe/BTR under the leadership of Siebe's Allen Yurko will deserve the premium rating of an Emerson or a Honeywell.

Perhaps. But the old BTR management - including Ian Strachan, chief executive, and Kathleen O'Donovan, finance director are retaining important executive posts. A clean break with the past might have been healthier. Indeed, a change of management on its own might have achieved nearly as much for BTR shareholders as yesterday's deal. And to judge from Siebe's own disappointing interim results - which were drowned out in fanfare - neither party is in its

News Corp

Rupert Murdoch is at it again: calling a press conference without anything concrete to announce. On the face of it, yesterday's conference was to launch News Corporation (yet again) in continental Europe. But there were no details and no deals – only the reaffirmation that News Corp is in advanced talks with Telecom Italia about entering the Italian pay-television market.

Moreover, Mr Murdoch's prospective partner, Telecom Italia, was conspicuous by its absence. That is hardly surprising. After all, yesterday was the first day at work of Franco Bernabé, its new chief executive. He would naturally want some time to review his options, especially

since a link with Mr Murdoch would be politically sensitive. So why then did Mr Murdoch call a press conference? Two explanations spring to mind. First, that he hopes to bounce Mr Bernabê into a deal: second. that he wants to put the frighteners on Canal Plus, which runs Italy's established pay-TV network. Certainly, the announce ment savaged Canal Plus's share trice. But competing against Canal Plus's Tele piu will not be easy. Though not as entrenched as Mr Murdoch's UK outfit, British Sky Broadcasting, Telepiu still has most of Italy's film and football rights sewn up. Any fight will be extremely bloody, with Mr Murdoch probably taking most of the punches.

AMP/Tyco

So AMP has found its white knight. AlliedSignal, the original bidder, will find it hard to beat Tyco's \$11.3bn agreed offer for the electrical connectors group. Not only is Tyco's bid \$1.5bn higher, apparently justified by operational and tax synergies; it is in stock, allowing shareholders to participate in the upside as the cycle turns in AMP's favour. Even so, this is not the free and fair auction that would have produced the highest possible price for AMP. Pirst, AlliedSignal has been repeatedly stymied by the cosy anti-take over laws in Pennsylvania where AMP is incorporated. Now Tyco has insisted, as the price of doing a deal, that AMP cannot consider another offer (even if superior) until November 1999.

Yeltsin greets Chinese leader in Moscow clinic

New speculation on health as Russian president suffers pneumonia

Boris Yeltsin was forced to greet Jiang Zemin, the Chinese leader, from a hospital in Moscow yesterday, a renewed sign of the serious decline in the Russian president's health.

The unusual verme for a meeting between the two beads of state came after Mr Yeltsin was taken to a leading clinic on Sunday with what officials described as pnermonia.

The news triggered fresh speculation about his capacity to serve as president until the end of his term in In pointed remarks vesterday, Vic-

tor Chernomyrdin, the former prime such incidents with Mr Yeltsin "have been happening more and more frequently He said: "It is important that the

country's leadership and the president should be in their places of

A number of other politicians called for the presidential elections sinated for political reasons.

Oleg Sysuyev, Mr Yeltsin's deputy chief of staff, appeared to be raising the stakes when, in an interview, he described Yevgeny Primakov, the prime minister, as "effectively the deputy president" and someone who because of his role was "obliged to consider himself a candidate for the presidency".

Under the present Russian constitution, if Mr Yeltsin died in office Mr Primakov would act as head of state for three months until elections could be held.

Opinion polls have given him a strong chance of winning, although he has formally said he is not interested in the post.

In an atmosphere of growing concern following the murder of Galina Starovoitova, the prominent liberal St Petersburg deputy, some commentators also started to call for a state of emergency. Several prominent public figures argued yesterday that she had almost certainly been assas-

to be advanced to September next. Mr Yeltsin's flagging health has long been a source of concern to policy makers, both before and after he underwent a heart by-pass operation in 1996.

During a brief return to work in Moscow in mid November, he cancelled his planned attendance at a banquet in honour of Keizo Obuchi the Japanese prime minister.

Since then he has kept a low profile, largely based away from the public eye in his Gorky-9 resident outside Moscow. He was briefly shown on Russian television yesterday greeting his Chinese counterpart, but there was no accompanying sound.

A spokesman said Mr Yeltsin was likely to be in hospital for a week and was being treated with autibiot-

He held a short meeting with Gerhard Schröder, the German chancellor, last week, but has postponed a planned trip to India. Queen Beatrix of the Netherlands, who had planned to visit Moscow, has also delayed her

European Union partners back Britain to lift beef export ban

Britain yesterday won a 32-month battle to end a worldwide ban on its beef exports, securing stronger support than expected from its European Union partners.

The worldwide ban on exports of British beef, imposed nearly three years ago because of the BSE - or mad cow disease - epidemic in the UK, is set to be lifted following a vote yesterday by European Union

Ten of them voted to lift the ban, with only Germany's Karl-Heinz Funke against. France, Spain, Lux-embourg and Austria abstained. The vote clears the way for the UK to resume exports in the spring. The crisis over BSE has cost the country more than 25bn in eradication measures and lost exports.

Before restarting exports, the UK must complete a cull of calves born of BSE-infected cattle and obtain EU approval for its exporting facilities. Nick Brown, UK farm minister,

the European Union" but acknowledged it would be difficult for Britain to get back into world mar-

Yesterday's vote fell short of the qualified majority needed for a final decision. However, it was enough to enable the European Commission, the EU's executive, to end the ban at its weekly meeting either tomorrow

or next Wednesday. The EU prohibited Britain from exporting beef in March 1996 after UK scientists identified a link between BSE and nvCJD, a fatal disease affecting the human brain.

Some 30 people have died from nvCJD, 29 of them in the UK, one in France. BSE has been detected in more than 175,000 cattle, 99.7 per cent of them in the UK.

The ban halted exports of British cattle and beef, worth more than 2600m a year. The UK government has ment about \$4.6hm tackling the

bailed a "good day for Britain and scheme, Britain will still be prevented from selling live cattle abroad but will be able to export boneless beef from cattle born after August 1996 and over six months

> Ben Gill, President of the UK's National Farmers' Union, acknowledged there was a "tough road ahead" to rebuild export markets. Franz Fischler, EU farm commis-

> sioner, who pushed for the ban to be lifted, said it would be difficult for the UK to restore export levels. "It is not only because of BSE that

> there are market problems. It is the breakdown of the Russian beef market and it is the decrease of beef exports everywhere in Europe and also America."

Britain yesterday won the back ig of Italy and the Netherlands, which had withheld support earlier this month. Among countries which abstained. Luxembourg said it had preferred a delay to evaluate an export scheme from Northern Ireland which began in the summer.

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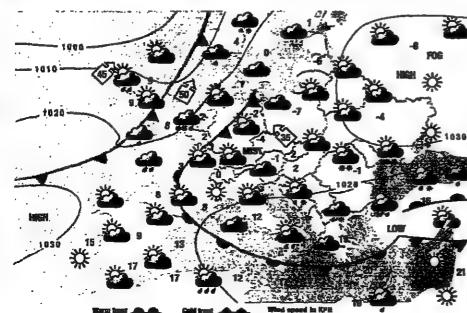
FT WEATHER GUIDE

Europe today

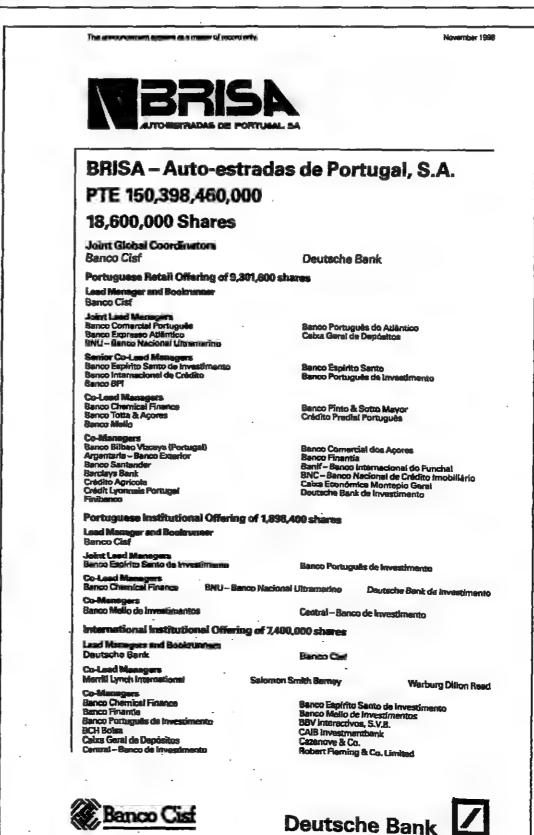
Spain and Portugal will be mostly dry and bright, although it will be cold, Southern Italy and Greece will have showers. Central and castern Europe will remain extremely cold with patchy freezing fog. This dry but frosty weather will again affect northern Italy, most of France and the Low Countnes, although north-west France will be milder.

Five-day forecast

Western Europo will have patchy rain tomorrow, but it will then become dry and settled, although it will be noticeably milder than recentiv. Temperatures will also slowly rise across central Europa north-east will stay very cold. be mainly fine, but the central and eastern Mediterranean will be very showery.



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FINANCIAL TIMES -

COMPANIES & MARKETS

TUESDAY NOVEMBER 24 1998



INSIDE

Bottled iceberg water nets a profit The persistent attempt to harvest Canadian icebergs for pure drinking water has paid off for Ron Stamp, ex-fish marketer and president of iceberg industries. He was first to bottle and distribute iceberg water after pioneering a pro-cass to tear off chunks of icebergs and ship the malted water to port. "I went from village idiot to entrepreneur of the year," he says, Page 26

Greek pistachio farmers call for help Greek pistachio farmers are calling for state support to overcome daunting start-up and marketing costs to take advantage of soaring demand for the nut in the country. Greek super-markets sell pistachios imported from California and Iran while almost none of Greece's 8,000 tonne crop is exported. Page 34.

SE Banken deal wakes Baltics briefly Last week's announce

A sizero prica (BIG)

ment that Sweden's Skandinaviska Enskildı Banken will buy stakes in two leading Baltic banks, and is negotia-ting with a third, briefly woke Baltic markets from their slumber. But activity in Estonia, Latvia and Lithuanie quickly subsided as Investors awaited fig-

ures for the impact of the Russian crisis on Baltic economies. Emerging Markets, Page 44

Philippines considers bond issue Asian countries are preparing to test investor appetite for sovereign bonds from emerging markets. After the success of Argentina's recent \$1bn offering, China and the Philippines are considering taking advantage of a sharp recov ery in Asian secondary debt markets. Page 32

Jakarta stocks rise despite riots Sharp gains were made in Jakarta as overseas investors continued to buy despite further vioience at the weekend. The main index closed 20 per cent higher than a week ago. Page 44

S & P establishes Singapore office Standard & Poor's, the credit rating agency, is reacting to criticism of its response to the Asian financial crisis by setting up a team of sovereign credit analysts in Singapore. Page 32

Namibian zinc mine set to open A feasibility study recommended development of the Skorpion zinc mining complex in Namiet zinc broducer Africa and one of the top 10 by output in the world, it should add about 5 per cent to Nami-🚰 bia's gross domestic product. Page 34

Economic turmoil helps lift AIM fund AIM Global Advisors, part of the Amvescap fund management group, said global economic turmoil had helped its European money market funds increase 44 per cent. Page 32

COMPANIES IN THIS ISSUE 24 Kirch 23 LucasVarity 23,25 22,23,26 1,22,23,20 News Corporation 22,33,25 Asia Online Ongrei icebers Otes 30 PLM 25 PaineWebbe Paramount Boosev & Hawke Provident C & D Technologie RAI Regent Pacifil 23.25 Canal Plus SAS 26 Clicorp SAIT **CrtsPower** 28 Saudi Teleco Schindle Coming 23,26 TBI 24, 26 TF1 22.23.25 25 Telepr 26 VSZ Holding Hewlett-Pack Hicks Musc Hongkong Telecom lociberg industries Israel Discount Bank 28 Yardio Johnson Controls

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New Intl bond issues Short-term at rate Stock markets of a glance

AOL, Netscape discuss stock swap Microsoft criticises possible \$4bn internet sector deal

Dy Louise Keigoe in San Francisco

America Online, the world's leading online services and internet access provider, confirmed yesterday that it was in talks to acquire Netscape Communications, the pioneer of

internet browser software. Netscape also confirmed the talks and said they were discussing a stock swap deal under which shareholders would receive 0.4 shares of has acted to prevent competi-AOL for each Netscape share

The potential \$4bn merger would reshape competition in the internet sector and create a powerful counterweight to Microsoft, the world's largest software company.

Deutsche

Bank and

on merger

By Tracy Corrigan in New York

Deutsche Bank. Germany's

largest bank, yesterday said it

was in the sdvanced stages of

negotiations to buy Bankers

Trust for cash at a proposed

price of \$93 per Bankers share, valuing the US bank at around

The deal would be the larg-

est takeover of a US financial company by a foreign competi-tor, combining Germany's

largest bank with the eighth

largest US bank, measured by

assets. It would represent a bid

by Deutsche Bank to resume

which it failed to achieve

Bankers Trust shares rose

and the steering committee of

Deutsche's Vorstand - or exec-

utive board - have already

reviewed and indicated their

support for the proposed trans-

action, but have yet to approve

it. Separate board meetings are

Deutsche Bank

STWING CHICK (DIM

through organic growth.

\$9.7bn.

Bankers

close in

Goldman Sachs is advising tial acquisition. At mid-session

AOL in the merger talks, and follow investment bank Morean Stanley is advising Net-Microsoft said the proposed

deal would undercut the US government's current legal action against the company, which alleges that Microsoft tion in internet software. But AOL stressed the deal

was not signed and "there could be no assurance that an agreement will be reached or a transaction consummated."

the stock was up 7 per cent at \$42 1/16, on heavy volume. AOL was also trading higher at \$88 7/8, up nearly 5 per cent in mid-session

in contrast to more recent

internet entrants into the public market, which have achieved huge market valuations based largely on hopes of future sales, Netscape's valuation is grounded by its financial performance and the market challenges it faces.

The latter have been well documented in the Microsoft Netscape's shares rose antitrust trial, currently under

soft has portrayed Netscape as the victim of Microsoft's alleged bully tactics and emphasised its thus weak-

AOL, which has also testified against Microsoft at the trial, is in a unique position to challenge the software giant. AOL competes directly with Microsoft only in the market for online services - a very small portion of Microsoft's

However, AOL's online transmissions to more than 14m subscribers represent a

for many products, including software and services. AOL also confirmed yester day that Sun Microsystems was involved in the ongoing

talks with Netscape. Sun, which is a leader in the market for internet servers, was discussing a "development and marketing agreement for electronic commerce and new internet devices, which would involve Netscape products". Sun is not expected to take

an equity stake in Netscape but is said to be interested in licensing some of Netscape's products, particularly those used by website operators.

Murdoch to expand in Europe

Partners sought for television subsidiary

By John Sapper in London and Paul Russe in Milas

News Corporation, the global media group controlled by Rupert Murdoch, yesterday said it intended to expand into television and entertainment across Europe and would invite other media companies to invest in the venture.

Mr Murdoch said he wanted other media companies to acquire up to 20 per cent of a new European subsidiary, which would be run from Milen by Letizia Moratti, the former chairman of the Italian state broadcasting group RAI. The initiative was

announced along with a draft agreement for News Corp to take a 38 per cent stake of a sion service that will be controlled by Telecom Italia, the state telecoms group.

almost 10 per cent to \$85 fol-TF1, the French television lowing the announcement. group, will hold 10 per cent of while Deutsche shares jumped the venture, which will compete in Italy with Telepiú. 90 to DM115.30 before falling back to close up DM1.85 at per cent owned by its rival Canal Plus, TF1 and News also The banks said that the intend to start a youth televi board of directors of Bankers sion channel in France.

> which has appointed a new chief executive, could fall through. He told a news conference in London that it would "either start very quickly or not at all"

Mr Murdoch said the ven-

ture with Telecom Italia,

Mr Murdoch also indicated that News was unlikely to take more than a small stake in the Kirch Group of Germany, It has been talking to Kirch and



On the same wavelength: Rupert Murdoch and Lettzle Moratti walking in London vesterder

and Prince Al Waleed of Saudi

The level of investment that is being contemplated (by Leo Kirch, Kirch's chairman! has certainly been scaled down." Mr Murdoch said. However, he would consider the Kirch Group as a strategic investor in News Corp Europe.

News Corp is unlikely to buy more than 3 per cent of Kirch which has been talking to its banks about swapping some of its debt for equity in its German television ventures Canal Plus shares fell by 8.5

Mediaset, the Italian company, per cent yesterday on fears that Mr Murdoch's partnership with TF1 would provide strong competition in the French and Italian markets. Canal Plus

wants to float Telepiù, which

is losing money. Mr Murdoch said be expected the new Italian company which will include Telecom, Italia's cable television venture Stream - would start by offering up to 100 channels to subscribers via satellite and

cable, but could expand later. The announcement provoked renewed political concern in Rome, Salvatore Cardinale, the

Italian communications ministion to Mr Murdoch's plans. Mr Murdoch said News Corp Europe might consider acquir-

ing magazines and broadcasting assets, but he was not interested in acquiring general interest newspapers. He owns UK titles The Sun and The Times. Mr Murdoch has been trying to expand in continental Europe for several years. His effort to acquire Mediaset fell through earlier this year.

Specialist expertise,

proven performance...

Siebe and BTR link up in deal worth £9bn

By Andrew Edgecliffe-Johnson and Peter Marsh

Siebe and BTR, two of the UK's largest engineers, are merging to form the world's biggest control systems and automation company, valued

at £9.4bn (\$15.7bn). The new group will have just over 10 per cent of the \$110bn controls and automation market, selling products ranging from controls for washing machines to systems capable of automating huge

industrial plants.
Alien Yurko, chief executive of Siebe, who will take on the same role in the combined group, said it would be "capable of going toe to toe" with industry giants such as Emerson Electric of the US, Siemens of Germany and the Swiss-Swedish ABB.

He added the two companies were reacting to consolidation in the industry, saying: "This is a big market and it needs big players."

The deal, described by advisers as the UK's largest merger of manufacturing companies, is effectively an agreed takeover by Siebe.

BTR shareholders will receive 0.533 Siebe shares for each BTR share they hold, and end up with 45 per cent of BTR

Lord Marshall, Siebe's chairman, will take the same role at BTR Stebe, and Jim Muslier, bead of Siebe's controls activities, will step up to group chief operating officer. BTR's chief executive, lan Strachan, will become executive deputy chairman, but is widely expec ted to leave once the two busi-

Shares in BTR, which had fallen by 80 per cent since 1995 to reach a 14-year low, rallied by 38p to 133p vesterday, valuing it at £4.4bn, while Siebe rose 28p to 243p, giving it a

£5bn market value. The two groups expect to take £250m off their combined annual costs by the year to March 2000. They are cutting 5.000 jobs, including 1.000 from the UK, from a combined workforce of 125,000, Mr Yurko said they hoped for further benefits from eliminating overlapping functions and selling each other's products. The merged company will have to spend £400m on the restructuring, which it will treat as an exceptional charge.

Tyco in \$11.3bn 'white knight' offer for AMP

in Henr York

\$44.50 all-cash deal from

AlliedSignal the manufactur-

ing group, made in August. If

Tyco's stock moves above \$67.

the consideration will also

rise, to a maximum of \$55.95.

Wall Street signalled its

expectation that this higher

offer would carry the day,

marking up shares in both

AMP and AlliedSignal while

wiping 5 per cent from Tyco's

Tyco's intervention was

aided by a 40 per cent rebound

in its share price since early

last month, which enabled it to

offer stock while keeping its

promise of only mounting

takenvers that add to its earn-

The broad-based conglomer-

ate. New Hampshire's only

entry in the Fortune 500 listing

claimed would top the benefits

Kozlowski, chairman, these

benefit that the company

ings per share immediately.

ber 29 to finalise the deal. "We are working diligently to finalise all terms in preparation for the Sunday meeting of our supervisory board," said Rolf Breuer, Deutsche's chairman. "We have scheduled high in New York and Washington this week to describe our protrical manufacturer.

scheduled for Sunday, Novem

posed transaction." Deutsche Bank's options for financing the all-cash transaction include selling part of one of its stakes in German industrial companies and raising fresh equity. For example, Deutsche could sell some of its 12 per cent stake in Daimler-

"It really wouldn't do for a bank with lots of business in America to own a large part of Chrysler," said Raphael Soifer, financial services analyst at Brown Brothers Harriman. noting that . US banks are restricted from owning big stakes in US industry.

Under international accounting rules, the cash transaction would be an acquisition and Deutsche would have to write off the difference between the cost and the book value of Rankers Trust as goodwill according to analysts.

of big US groups, also outlined However, the banks are a range of potential costexpecting to achieve annual savings from the deal that it synergies of around \$1bn. According to people close to the situation, these will come from new revenues and costcutting, and includes the sanom cost-cutting programme announced by Bankers Trust last month.

agreed a break-up fee that would pay Tyes \$300m. plus walked away from the deal.

The biggest hostile US takeover battle since the early AMP, whose legal defence 1990s appeared closer to a resoagainst AlliedSignal had appeared to be flagging, said it lution vesterday after Tyco International launched an had started to talk seriously to \$11.3bn "white knight" bid for Tyco about two weeks ago. It the embattled AMP, the elecadded that there had been various discussions and The offer, worth \$51 a share approaches to its financial in stock, trumped a hostile

AMP also noted that Tyco tended to give its operating subsidiaries a good deal of autonomy, and run only a small corporate head office. Under the Tyco-AMP deal

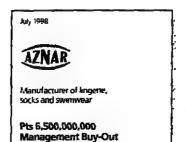
Robert Ripp, who became AMP's chief executive shortly battle began, will remain at the helm of the electrical and electronic connector business.

Mr Kozlowski denied that Tyco had given Mr Ripp and his management team special treatment for acceding to his offer. "I think he is a talented executive, he will fit nicely into the Tyco culture," he said adding that, like other executives. Mr Ripp would only receive a bonus in future if he boosts AMP's earnings by at least 15-20 per cent a year.

AMP said it also expected its own restructuring effort to continue. In the course of the bid battle. AMP has promised AlliedSignal had hoped to that this will generate earnings per share of \$2.30 in 1999 According to Dennis and \$3.00 by 2000, with operating margins increasing to 13.5 included an annual \$100m tax per cent next year and 16.5 per cent in the following 12

would receive from having its months iegal residence in Bermuda. The two sides said they had Lex, Page 22

ent appears as a maîter of record only



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Manufacturer of fine chemicals Management Buy-Out Led, structured and arranged by

NatWest Equity Partners

PANREAL QUIMICA SA

...in the Spanish private equity market.

NatWest Equity Partners

POWER ENTERGY SELLS AUSTRALIAN GROUP TO AEP SUBSIDIARY AS PART OF DIVESTMENT OF NON-CORE ASSETS

US group disposes of CitiPower for A\$1.7bn

company. yesterday said it gain of about 12 US cents a tralian electricity distribution business, to AEP Resources, a subsidiary of closed at the year-end. American Electric Power, for

A\$1.7bn (US\$1.1bn).

Regent

By Louise Lucas

Pacific in

Regent Pacific, the Hong

Kong-based asset manage-

ment group, reported a

US\$57.17m loss for the six

months to September 30

after writing off some

on investments in Russia

and former Soviet satellite

The loss compares with a

profit of HK\$42.37m

(US\$5.5m) last time. There

will be no interim dividend.

One-third of the group's

managed funds were

invested in Russia ahead of

the financial crisis; a further

25 per cent was in eastern

European markets, which

were also affected by Russia.

quit the Asian mutual fund

business meant it was relatively unscathed by the

However, its immunity ran

out in August when the Rus-

sian government suspended

its domestic bond and cur-

rency market: a develop-

ment, Regent Pacific said,

which was without prece-

Pians to sell its Russian

Securities business were

aborted by the crisis, and

overheads there have been

slashed. Elsewhere in the

group, lay-offs and pay cuts

dent since China in 1947.

region's financial crisis.

The group's decision to

early 1996 for A\$1.58bn. Entergy said it expected a had sold CitiPower, its Aus- share, after currencyexchange and interest-rate differences, when the sale

The sale was part of Enter- raise £2bn (US\$3.3bn). gy's business strategy, with expectations and repre- divest non-core assets and sented a slight profit for refocus on core operations in Entergy, which acquired international power develop-

nuclear power operations. The company's largest disposal is that of London Electricity, which has drawn bidders including British Energy and Electricité de France and is expected to

Entergy hopes to realise The sale price was in line announced in August, to about US\$4bn in total, with most of the proceeds to go toward reducing debt.

Pilgrim nuclear power station in Plymouth, Massa-

is involved in the Tarong power generation project in central Queensland and has signalled interest in other

acting chief executive officer, said the company was pleased with the CitiPower CitiPower from the state ment and power marketing businesses led last week to sale. "Entergy's refocused

Other chaebol have raised

pay back bank loans, but

Daewoo has also reported an

according to the govern-

ment's Financial Supervi-

Daewoo's position was worri-

some since most of its bor-

rowines were short-term and

the funds were being used to

Adding to the concerns

Nomura Securities said

sory Commission.

pace that exceeds even our facilities. But the acquisition pore Power, which had made initial expectations."

Remaining divestments break into the Australian

electricity market through AEP has a 20 per cent stake in Pacific Hydro, a Victorian developer and opera-

of CitiPower would give it an two unsuccessful attempts to opportunity to "sharpen" its skills in the competitive Australian power market ahead of further deregulation in the US, said Donald

AEP's bid defeated two other groups, one led by Texas Utilities Co, which owns another Victorian dis-

government of Victoria in and trading, as well as the \$30m acquisition of the strategy is taking shape at a tor of hydro-electric power and the other led by Singabuy into the Australian electricity market. Victoria is the only state

tricity market, although

CitiPower, which has annual sales of about A\$450m and net profit of about A\$50m. on

Earnings

CLP Holdings, the bigger of Hong Kong's two electricity suppliers, yesterday reported a 41 per cent rise in group earnings to HK\$8.14bn (US\$1.05bm) for the year to September 30.

The core utility business. regulated under a government scheme of control, posted a 4.4 per cent rise in earnings to HK\$4.97bn. The rise was driven by hotter weather, which prompted greater use of air conditioners, and a reduction in opergting and capital costs.

Earnings not governed by the scheme of control increased 60 per cent to HK\$1.63bn. This included an exceptional profit of HR\$1.84bn on the sale of flats at Laguna Verde, a property development jointly run with Cheung Kong, the property developer.

The results are the first by the restructured CLP Holdings, which came into being at the beginning of this year. They include the electricity business as well as areas outside the scheme of control, such as mainland power investments and property.

Capital spending fell, with expenditure in the transmission and distribution network totalling against EA HK\$1.92bn. HR\$2.62bn in 1997.

In earnings outside the scheme of control, there was a fillip from the proceeds of Pacific, the Hong Kong-listed arm of Beijing's main investment agency, in 1997. The higher Hong Kong dollar interest rates boosted interagainst HK\$702m last year. Earnings per share rose

30.2 per cent, from HK\$2.52 to HK\$3.28. Excluding the exceptional item, earnings per share rose 5.6 per cent to HK\$2.66. A final dividend of HK\$0.48 is proposed, plus a special dividend of HK\$0.10 a.

Chief defends Daewoo finances dens, saying it would harm its outstanding bonds to huge difficulties in arrang-

red midway

terday denied that South Korea's fourth largest conglomerate was in financial trouble as he called for a slowdown in *chaebol* reforms.

Recuperating from brain surgery performed last week, Mr Kim was repeatedly asked at a press conference about Daewoo's [inancial health, "Daewoo is not in need of any restructuring for now as none of its affiliates, except for recently acquired Ssangyong Motor, is in the

red." be said. Mr Kim, who also heads the Federation of Korean Industries, the big business lobby group, criticised gov-erument efforts to force the

economic growth and dis- nearly Won20,000bn. Kim Woo-choong, chairman courage foreign investment. is scheduled for today. to Seoul, Bill Clinton, the US money in the bond market to president, expressed impa-

tience about the slow pace of reform among the top five Korea's opposition party yesterday accused Mr Clinton of meddling in domestic affairs not be conducted "according to the logic of foreign Speculation over Daewoo's

future has increased meet working capital recently because of a sharp rise in its net debt as it borrowed heavily in the bond market to cover a deterioration in working capital. It has become the largest

was a government decision to impose limits on the held by financial institucorporate bond issuer in tions, which would hurt Das-Korea this year at woo's ability to raise funds.

ing financing and it appears that its only survival option is through the sale of assets. However, we question whether it mossesses companies or assets attractive enough to entice investors tions market," said Nomura. Some analysts believe Dae-

woo's situation could accepts a Daewoo proposal to inject \$2hn into Deewoo Motors. A decision is expec ted by the end of the year. woo's car plants in eastern Europe and an equity stake

would also provide an entry cal whether GM will provide the capital unless it is allowed to acquire a major-



Hongkong Telecom under fire for planned internet buy

Telecom's Hongkong HK\$245.5m proposed (US\$32m) purchase of a rivai's internet business has obvious attempt to further monopolise the telecommunications industry in the ter-

The outburst from Asia Online, Hong Kong's leading independent internet pro- oversees the industry, said it petitors and control the

to buy the internet business of Star Telecom.

Hongkong Telecom says the deal would give it a acquisition would threaten market share of just over 50 per cent, but others in the industry claim it would be closer to 70 per cent. The deal remains subject

to regulatory approval. The

vider, came as Hongkong would take into account the introduction and use of new months, and in July entered Telecom announced its plans impact on competition in the internet technologies, such talks with Hutchison Tele-internet has 150,000 subscrib-

Asia Online said the

competitiveness in the territory. "With a de facto monopoly in a deregulated internet market, Hongkong Telecom is in a position to practise predatory pricing Telecoms Authority, which against would-be com-

"For example, Hongkong

Telecom has made it clear technologies which, of course, threaten the massive profits reaped from its IDD services," it said. Star Telecom has been

com. These discussions floundered. Its lossmaking internet business cost the group HK\$15.76m last financial year, and the group will

phone services. Star Internet boasts about 80,000 subscribers compared

now stick with its core busi-

with Hongkong Telecom's

ers. Although there are a score of internet service providers in Hong Kong, the It is the second acquisition in a year for Hongkong Tele-

com. In January it paid HR\$4.83bn for Pacific Link Communications, Hong Kong's fourth biggest mobile

ABSA Group Limited Reg No 86/03934/06

INTERIM REPORT TO SHAREHOLDERS for the six months ended 30 September 1998

(Unaudited)

Headline earnings up 20,3% • Headline earnings per share up 16,3% Attributable income up 31,8% • Dividends per share up 15,4%

> Headline earnings (Rm) 1800 1600 1400 1200 1000 800 600 400 Interim Final

ncome attributable to shareholders (R million) leadline earnings per share (cents) arnings per share (cents)	30 September Unaudited				
	1998	1997			
Headline earnings (R million)	890	740			
Income attributable to shareholders (R million)	857	650			
Headline earnings per share (cents)	140,1	120,5			
Earnings per share (cents)	134,9	105,8			
Dividends per share (cents)	37,5	32,5			
Return on average equity (%)	17,8	17,2			

"ABSA is well-placed to weather these difficult times and is also ensuring tight control over operating expenditure. We are confident that we have the right strategies, people and systems in place to continue managing and growing the business on a sustainable basis, and we look forward to reporting satisfactory growth in earnings for the full year."

Danie Cronjé - Group Chairman

This information is also available on our website at http://www.absa.co.za/iff

All financial figures are reflected in South African currency For a copy of the Group's interim report, which will be published on or before 31 December 1995, contact investor Relations ABSA Group, PO Box 250595, Excom, 2023, South Africa, Telephone (2711) 350-4061 Fax (2711) 350-6487 E-mail willism@absa. Notice of Offer to Purchase up to US\$100,000,000 aggregate principal amount Pera Financial Services Company

Türkiye Garanti Bankası A.Ş.

CUSIP No. 713573AA

Euroclear and Cedel Bank (as defined in the Offer to Purchase)

THE OFFER WILL EXPTRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, DECEMBER 18, 1998, UNLESS EXTENDED (SUCH TIME AND DATE, AS THE SAME MAY BE EXTENDED, THE "EXPIRATION DATE"). net any time prior to the Expiration Date pursuant to the procedures described in the Offer to Purchase.

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itained in the Terms as as governing the Bonda ice is hereby given that for interest Period from 28 November 1998 24 May 1999, the Bonds will carry an interest rate of 5.835% per stream calculated on a principal strought per Bond of amount per U.S.\$1000/-.

The interest amount payable by the issuer on the interest Payment Date failing on 24 May 1999 will be US, \$ 29,50 per Bond.

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FINANCIAL SERVICES CHAIRMAN'S COMMENTS ON INTERNATIONAL ASPIRATIONS FUELS SPECULATION IN WAKE OF DEUTSCHE BANK DEAL

Dresdner Bank eyes buys and mergers

By Tony Barber in Frankfurt

Dresdner Bank yesterday said it was keen to expand in Europe, possibly by means of an acquisition or merger, but declined to say whether it intended to follow the example of its rival Deutsche Bank and buy a large US institution.

Bernhard Walter, Dresdner's chairman, said in a radio interview that he wanted to increase his bank's activities in the main January 1.

"We will prepare ourselves to be stronger in Europe," he said. "Therefore we want to significantly strengthen our presence in the core euro countries. There are many possible ways, from a co-operation to a link-up, meaning an acquisition or a

His comments fuelled speculation in financial markets that Dresdner and other Ger- ner will one day make a sim- bank, the third largest in for more than a year that its

countries using the single man banks might follow illar move in the US ever European currency from Deutsche Bank on the acquisition trail abroad.

have pipped Dresdner to the post by putting together a deal - albeit still awaiting final approval - to buy Bankers Trust of the US. Deutsche hopes that the

acquisition will ensure its place in the ranks of the banks. Financial markets have suspected that Dresd-

able to exercise management

control Indeed News Corp's

experience in turning BSky8

from loss into profit is one of

its attractions to potential

The establishment of News

Corporation Europe could

help Mr Murdoch's broader

ambitions in two ways. First,

doch has better chances of

gaining approval from Ital-

Ms Moratti could also help

to draw RAL which has so

far proved hard to pin down

into the venture. This would

give it greater credibility

and programming strength

in competing with Teleplu.

Canal Plus's Italian venture.

Second. News Corporation

Europe could provide a

vehicle to draw in other

partners. Mr Murdoch indi-

spective, this would pro-

vide him with greater

also give News Corp a better

partners.

ian politicians.

since the bank was reported last summer to have held Deutsche Bank appears to informal talks with PaineWebber, the investment house. Mr Walter declined to confirm that the discussions had

taken place with PaineWeb-ber, but made clear in September that Dresdner, like Deutsche, regarded it as important to strengthen its euro's arrival to extend its world's leading investment investment banking busi-

Dresdner officials said the

ested in European financial companies that were a good larly interested in buying a "strategic fit", but added US investment bank. that price was inevitably an important consideration.

Like Deutsche and Commerzbank, its main Frankfurt-based rivals, Dresdner aims to exploit the opportunitles presented by the activities across the 11-nation single-currency area. But it has also indicated and that it would be particu-Dresdner bought the London-based Kleinwort Benson group in 1995, but in the US it remains a long way from

making a big impact in

A New York listing would increase Dresdner's US investor base and would also make it possible to buy a US institution using stock as

NEWS DIGEST

ENERGY

Finland set to float 20% stake in Fortum

The Finnish government yesterday unveiled plans to float a 20 per cent stake in Fortum, the energy group formed by the merger this year of Neste and Imatran Voima (IVO), in an offering expected to raise up to FM5.28bn (\$1.03bn). The global issue of 160m shares, deferred in September because of stock market volatility, will be priced at FM27-FM33 a share, valuing Fortum at FM21.4bn-FM26.2bn.

Morgan Stanley Dean Witter and Warburg Dillon Read will co-lead manage the international offering. Conventum Markets and Merita Corporate Finance will co-lead man-age the Issue to Finnish institutions. Greg McIvor, Stockholm

SLOVAKIA

VSZ calls meeting over crisis

VSZ Holding, Slovakia's largest industrial company, yesterday agreed to hold an extraordinary shareholders meeting to discuss the company's financial crisis, which forced it to default earlier this month on a \$35m loan due to a syn-

dicate of banks arranged by Merrill Lynch.

The new Slovak government has said it will help the company only if the boards resigned but the management, which is closely linked to the former government of Vladimir Meciar, has up to now refused to comply. Robert Anderson, Prague

AIRLINE CATERING

Gate Gourmet warms of job cuts

Gate Gournet, the world's second largest airline caterer. has warned that about 1,000 jobs could be at risk following the decision of Scandinavian Airlines System, the three-nation Nordic carrier, to switch its catering activities to a new contractor from August 2000.

Zurich-based Gate Gourmet - a subsidiary of SAIr Group, Swissair's parent company - said the loss of SAS as a customer threatened to reduce its operations in Scandinavia by about 50 per cent. SAS has decided to outsource catering on all domestic and international flights from Scandinavia from the second half of 2000 to LSG, the catering arm of Lufthansa - Its partner in the six carrier Star alliance. The company employs 2,500 people within Scandinavia. SAS is its second largest customer, after British Airways. Tim Burt, Stockholm

Murdoch's European broadcasting interests What he owns now... by Name Talis Radio Commercial radio similor ..the new deal Digital pay TV platform TF1 (French TV station) ...and who he has been talking to Kinch Broup ed by media tycoon Silvio Berluncon

Pay TV natiwork based in Hamiyurg (owned by CLT-Uis, Kirch Group and about forming a new European TV gro



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insurance market positions and common strategies We advised CU on this merger to create the world-

class international insurer CGU. Subsequently, in a separate transaction, we jointly led a US\$500 million exchangeable bond issue for CGU in respect of its stake in Société Générale.

Dexia

After advising on the cross-border merger than created Dexia, we led the November '96

US\$1.1 billion IPO and the June 97 US\$609 million

secondary offering. We have since led a FFR944 million exchangeable issue and, further, a US\$150 million exchangeable bond and a US\$636 million

block trade that enabled Dexia to dispose of its holding of ING shares.

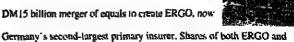
Fortis

When Fortis sought to expand its international position in financial services, we advised on the USS12 billion acquisition of Generale Bank. More

recently, during considerable market volatility. Fortis called on us to help them complete a US\$830 million convertible bond issue.

Munich Re

Munich Re wanted to improve its competitive position in primary insurance. We advised them on a DM15 billion merger of equals to create ERGO, now



Munich Re have since outperformed the market.

Union Bank of Switzerland

Responding to global consolidation in the banking sector, UBS and Swiss Bank Corp agreed to merge and create Europe's largest financial services company.

We advised UBS and provided a fairness opinion to their shareholders.



We acted as sole adviser to Zurich on its merger with the financial services arm of B.A.T. Industries, The transaction has created one of the world's largest insurance and asset management groups

Zurich Insurance



Murdoch gains some ground in continental Europe

Italian pay-TV deal is the breakthrough the media giant has long been seeking, write John Gapper and Paul Betts

Murdoch's Voz, the German television cent of BSkyB yet has been announcement of a vehicle for his European ambitions in pay television and other media ventures marks a step towards his goal of building a presence in continental Europe to match that in the US.

He has had the goal in sight for several years, without achieving a break-through. In itself, setting up a subsidiary and taking a minority stake in a new Italian pay television venture is less dramatic than some acquisitions he has considered in the past. Negotiations to acquire

Mediaset, the dominant commercial broadcaster in Italy. fell through earlier this year, and his prolonged discussions with Leo Kirch, the German media owner, have yet to lead to any concrete

Yet the establishment of the News Corporation Europe group under the leadership of Letizia Moratti, the former chairman of the Italian state broadcaster RAL is a demonstration of the strength of Mr Murdoch's European ambitions.

There are two great marequal in size and you cannot globalise a company without having some major activities in Europe," Mr Murdoch said

Yet he has found it easier to penetrate the US with his Fox studio and television network than to break into European television. The biggest exception to this is his 40 per cent stake in British Sky Broadcasting.

His first difficulty has been to persuade entrenched media interests in different countries to let him in. Only when they are losing money have they been eager to negotiate - as in the case of Mr Murdoch has 49.9 per cent of Vox, which he was

sold by the German media group Bertelsmann. Vox is now near to break-even and News Corporation would like to expand the operations, but Bertelsmann is less eager to invest further. by setting up a subsidiary under Ms Moratti, Mr Mur-

He still faces some uncertainty with Telecom Italia, which has just appointed Franco Bernabe as its chief executive. Mr Bernabe is the former head of the Eni oil and gas group and one of Itsly's most respected man-

Mr Murdoch talked to Mr

You cannot globalise a company without having some major activities

Bernahe over the weekend, and the venture has been approved by Telecom Italia's kets in the world - one is already made clear he will North America and the other not be pressurised into tak-

> opposition to his attempts to build European media interests. That has been evident in Italy, where there have been calls to block his entry

he said.

cated that he would be willing to sell up to 20 per cent of the subsidiary to other in Europe' media owners in Europe such as Leo Kirch. rom News Corp's perpolitical legitimacy. It could

board. But Mr Bernabe has political. Mr Murdoch has foreign ownership.

to the market. For this reason, Mr Mur-

doch was keen to stress he would be a "junior partner" in the new venture with Telecom Italia. "We do not expect to be a sleeping partner, but there is no question as to where control will lie."

Sceptics point out that News Corp holds only 40 per mission," he said.

case in arguing that News The second difficulty is held back by laws limiting aroused strong political For now, Mr Mandoch ha good reason to hope that at least one European regulator will be on his side. Karel

Van Miert, the EU competition commissioner, has consistently tried to stimulate competition in pay televi-From such a perspective.

the involvement of Mr Mur doch in a competitor to Tele pin is probably a good thing. as he pointed out. "We would try to aid competition. and that seems to be very much the policy of the Com-

HUNGARY BANK FACES COST CUTTING AND MANAGEMENT REVAMP

Postabank chairman aims to shake off past

By Kester Eddy in Budapest

Postabank, Hungary's fourth biggest bank, is joining its rivals on the long road to

A new leadership at the troubled bank, which is set to receive Ft152bn (\$693m) in state aid before the end of the year, has launched a restructuring programme designed to cut costs, shake up management, and clear the bank of loss-making investments.

These moves represent the completion of efforts to rehabilitate Hungary's biggest banks in the post-communist

were either restructured or partially sold off in the mid-Now, Henrik Auth, the

new chairman who took control this summer, says he plans to prepare Postabank for sale, probably to an international bank, over the next two years.

But the bank carries with it heavy political and financial baggage. For a start, it is struggling

to recover from losses accumulated under Mr Auth's colourful predecessor, Gabor Mr Princz, a confidant of

Socialist prime minister, invested the bank's funds in everything from a brewery to a Spanish holiday resort. as well as making generous donations to sports and cultural events.

Mr Auth describes the bank as "a complete mess" when he took over in August.

There was no pricing committee, no asset liability book. committee, no reporting lines. It was a shock for me."

in 1988 in the last days of the resort. If we want a beer we Communist regime as a private bank with strong links. to government officials.

Mr Princz, who headed the bank from the start, was virtually immune from attack from the state regulator, which allowed him almost free reign in lending and spending policy.

Postabank, for example, spent heavily on corporate sponsorship, amounting to

surrealistic. Postabank's large rivals if we want to go on holiday we

'It's very

have a Spanish resort. If we want a beer we have a brewery"

Fribn of the Fishn annual advertising budget which itself was a high proportion of total annual costs of Ft

"I don't know the reason Gyula Horn, the former for all this activity." Mr Auth savs. He says the bulk of the

bank's losses, still running at Ft1bn a month, relate to the bank's portfolio of nonbanking assets, which include a media empire and property holdings, as well as the holiday resort and

Mr Auth says he sees no . Mr Auth said he had no intention of meeting his industrial logic to the loan flamboyant predecessor. "We "It's very surrealistic," he have nothing in common," "If we want to go on he says.

have a brewery and if we want to read good news about the bank we have our own media empire." Auditors are trying to finalise their assessment of the scale of the problems at Pos-

acquired a 75 per cent stake following its rescue. Deloitte & Touche, Postabank's official auditor, says its loss estimate for the first seven months was about F195bn

tabank, in which the state

In the financial restructuring, to take place this year, the government will transfer Ft133bn in state bonds plus Ft19.5bn in cash to recapitalise the bank, while the bank cleans its portfolio with the transfer of non-performing assets with a net value Pt71hn to a debt work-out

With these moves, management "can turn to the future and close the past". Mr Auth says. Meanwhile, the new chair-

company.

man is shaking up management and cutting staff at the bank's headquarters from 170 to 91. Most positions will be subject to an internal tendering process, with applicants

judged on their prospective

business plans. The selection process is due to be com-

pleted this month. Mr Auth says the bank has a future in retail banking if it can capitalise on its 44 branches and a unique network of counters in post offices. This service is costly because it us underused but its potential is "strong".

MORGAN STANLEY DEAN WITTER

Geneva Frankfurt Madrid

PERMIT

Unum and Provident form \$5bn link-up

Unum and Provident, the two largest disability insurers in the US, yesterday in the insurance industry is announced a \$5bn merger in here to stay. Now that the of next year. an aggressive attempt to two largest players have build revenues both in the been brought together, disabuild revenues both in the US and internationally.

The deal was received positively on Wall Street, with industry." Unum's shares rising more than 7 per cent by midday. or \$33, at \$51%, while Provident gained almost 11 per

It also intensified speculation that consolidation in which pays a proportion of the insurance industry salary to people when they would accelerate. Michael

Albanese, of AM Best, the rating agency, said: "We might have seen a tempo-rary full, but consolidation bility income is going to be even more of a concentrated

Once combined, the companies, which share a reputation for aggressive underwriting, will have more than a third of the US market for disability income insurance,

Both companies said they were confident that no antitrust issues were involved. and that the merger should be completed by the middle

The companies said they intended to expand through broader distribution. While Unum mostly distributes through companies, Provident sells to individuals.

Individual income replacement insurance has tradi- attempt to re-model policies tionally been sold only to wealthy professionals, such as doctors and lawyers, while the market for middleincome Americans is much less developed.

executive, will stay on as chairman and chief executive until July 2001, when he will be succeeded by Harold Chandler, Provident chief

Mr Orr said: "We all know that the line between group and individual insurance is blurring more and more all

currently offered via payroll deductions and sell them to individuals. They are also looking for

international growth, particularly taking advantage of tion is how quickly the com-

The new company will

James Orr. Unum chief countries where the welfare state is being reformed.

Unum already has a large business in the UK, through an alliance with Standard Life, and now hopes to offer more individual policies. Mr Orr said it would also attempt to boost sales in Japan, particularly to indi-

Ann Perry at Moody's Under the terms of the merger, Provident sharehold-Investors Service said: "They ers will receive 0.73 shares of are basically piggy-backing the new UnumProvident in individual sales on to the exchange for each Provident group sales. Unum have done a pretty good job of share. cross-selling in other businesses. I think the big ques-

At the market price at midday yesterday, this values Provident at \$5.18bn.

These should reach between

\$120m and \$130m annually

or 10 per cent of the compa

nies combined operating

Microsoft claims **AOL** deal erodes antitrust case to ramp up individual sales." Unum and Provident also expect cost cuts, mostly through corporate staff and integrating field sales forces.

la Washington

yesterday Microsoft described the merger talks between America Online and Netscape Communications as "a stunning combination" which substantially undermines the US government's

antitrust lawsuit. Speaking outside the court where Microsoft is currently on trial for antitrost violations, the company's lawyers said the possible merger highlighted how little control Microsoft exerts over the computer industry.

Microsoft stressed the possible involvement of Sun Microsystems in the merger talks to claim that the software industry was undergoing a fundamental restructuring, which the government should not seek

to control. But lawyers for the US government dismissed Microsoft's claims and suggested the merger might reinforce the case against the world's largest software

In particular, the government seized on reports that AOL was considering maintaining its use of Microsoft's internet browsing software, instead of Netscape's rival product.

Its lawyers argued that

Microsoft's market power over the distribution of software was so strong that Netscape might still find it hard to compete for AOL's busi-

Microsoft's contract gives AOL a high-profile marketing position on Windows, the operating software which drives more than 90 per cent of the world's personal com-

David Boles, the lead attorney for the US government, said: "Whatever the deal, it does not remove any of the obstacles that Microsoft has placed in the path of competition in this industry.

"However many times

alliances get re-ordered it does not change the fundamental fact that Microsoft has a monopoly of the operating system and has used that monopoly to forestall competition in anti-competitive and exclusionary ways. However, William Neukom, Microsoft general coun-sel, insisted the merger "pulls the rug out from under the government. It

this high-technology business of which Microsoft is a

part, no company can con-

trol the supply of technol-

"What we are witnessing is a wholesale change in the competitive landscape."

NEWS DIGEST

COMPUTERS **HP** hires consultants for

review of operations

Lew Platt, Hewlett-Packard chief executive, told employees of the computer and electronics group last week that the company was bringing in consultants for a high-level review of operations. The move, although not unusual, may signal a restructuring of operations at the company, which has produced disappointing financial results over the past year. The consultants would be looking at the company's business portfolio, its strateg culture and organisation, Mr Platt told staff.

HP has taken several actions over the past year to cut serid treprove performance. The company has begun contracting out some of its printer manufacturing operations and is moving away from its traditional decen-tralised structure: Louise Kehoe, San Francisco

FAST FOOD

Franchise Management in buy

Franchise Management, the Nasdag-listed operator of fast food restaurants, yesterday announced it had acquired the Kenny Rogers Rossters chain for an undisclosed amount. The Florida-based restaurant group, which went bankrupt ' this year, has 63 sites, including 13 oversi chise Management, which was formed a year ago by Anthony Foster, bought the Juicy Lucy's hamburger chain in May. The company, which manages and franchises fastfood restaurants, plans further acquisitions so it can relaunch the brands by packaging them with other outlets into food-court style outlets. William Fisher, vice-president of concept development, said: "We'll start off with a breekfast concept to have people in the restaurant all

Kenny Rogers, the country and western singer, co-founded Roasters in 1991. Three years later Berjaya, the Malaysian conglomerate, bought a 24 per cent stake.



chunks out of icebergs, has

continued to pursue his own

venture and the former part

ners are poised to be in com-

petition with each other. Mr

Pollack says his company,

Canada's Original Iceberg

Water, will begin marketing

its own product next year in

Europe, Asia and the US.

Loblaw wants to expand dis-

tribution into the US, once

Iceberg industries can

Immediate returns have

been relatively small, with Mr Stamp projecting reve-

nues of CSJ8m in 1999. But

both groups are betting they

can capitalise on the Arctic's

and coolness. That would

romantic image of cleannes

increase production.

Electricity assets worth hands in two transactions announced yesterday that underscore the rapid pace of restructuring in the international power

international deals so far this year, moved to establish itself in the US Mid-west with the \$885m

RESOURCES The announcements, a day after Duke Energy said it would pay \$1.35bn for the natural gas assets of Union Pacific Resources, followed the \$1.7bn purchase earlier this month of 23 US power stations by Vivendi of

The company, which also builds generating stations. now has interests in 90 power plants in 13 countries and distributes electricity to about 13m consumers.

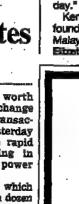
In the past two months it

Pace of change in energy industry accelerates

Ny Christopher Parkes In Los Angeles

retailing with the \$1.1bn sale of Citipower, an Australian distributor, to American Electric Power

AES's transaction, expected to close in the middle of next year, is its second IIS purchase so far in 1998. In August it won an auction for six coal-fired power stations in New York



almost \$2bn will change industry.
Virginia-based AES, which has made more than a dozen

purchase of Cilcorp, an Illinois gas and electricity utility. While Entergy of New Orleans advanced its plans to focus on generation and

has extended its reach with acquisitions and other contracts in Panama, Orissa, Tbilisi, Georgia, and Sri



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1996, the Issuer has elected to redeem the outstanding Nominal Amount on 20th December 1998. The Notes will cease to bear interest on the The Agent BNP Luxembrang)SA

Cool thinking earns Canadian group a warm welcome

Iceberg Industries has found success tapping what it says is the purest source of water on earth, writes Scott Morrison

Canadian icebergs to resource that floats past produce pure drinking cuter is a tale of ingenuity, fouding business associates and an enviable resolve that of towing icebergs to Saudi has so far paid off for one of Arabia. Mr Stamp scoffed at has so far paid off for one of

the former partners. lcoberg industries, won the before arriving in the Red race to become the first to Sea. One day he idly bottle and distribute iceberg suggested that they should water after he pioneered a process to tear off chunks of icebergs, ship the meltwater back to port and bottle what some regard as the cleanest

drinking water on earth. capital of the eastern Canadian province of Newfoundland, the company produces its Borealis brand and also bottles iceberg water for the prestigious President's Choice private label, owned by Canadian retail giant Loblaw. The response from consumers has been so enthusiastic that Mr Stamp's company has had difficulty

meeting demand. A former fish marketer before the depletion of Atlantic cod stocks declmated Newfoundland's fisheries industry, Mr Stamp says he is grateful for, but not surprised by, his success. Newfoundlanders have long known that iceberg water was extremely pure. but none had worked out

quest to harvest how to exploit the endless

Some groups in the early 1990s toyed with the notion this, knowing full well that Ron Stomp, president of an iceberg would melt long just "melt the damn things" in Newfoundland and send the water to the Middle East.

It occurred to Mr Stamp that his suggestion was not nearly as ridiculous as his Based in St John's, the friends believed it to be. He recalls that his new-found obsession left many in St John's questioning his sanity. "Everyone thought I was a bit weird because that is all I talked about," he

Mr Stamp eventually joined forces with Gary Pollack, a Toronto investor who bankrolled the iceberg venture until the two partners had a falling out and became embroiled in a lengthy legal dispute. With additional help from the federal government, Mr Stamp managed to raise C\$3.5m (US\$2.3m), which enabled him to rent equipment to test his theory that a granite pincer grapple could tear chunks out of an



med so long ago it was never exposed to m

east of Newfoundland. Ice-

he said of the day he proved

his theory was valid. Icebergs are parts of glaciers that have fallen into arctic waters. The hard ice "sweats" in warmer water and air, washing away salt that comes into contact with the iceberg. The pure lure of iceberg water is simple: the dacial ice was formed so long ago it was never exposed to modern-day con-

Steve Timuss, who works at the CanTest laboratory, said his group found no Timuss to remark that the water sample was the cleanent he had ever seen. icebergs forming in coastal.

trace of contaminants nor heavy metal elements in the Iceberg Industries sample it tested. That prompted Mr

bergs can easily be seen from St John's in early summer, but as the year progresses the company must venture further north to locate "bergy bits", as they are known locally, even though they can measure up to 1 cubic mile in volume. The company has a locator plane and receives crucial help from the Canadian coastguard's iceberg patrol. Mr Stamp and his crew

has learned to harvest icebergs by trial and error. Tugboats wrap nets around; them and at high tide tow: them at full throttle toward shore. Just before reaching the coast the tugboat years sharply and releases the net, slinging the iceberg onto the shore. Once tidal waters recede, the iceberg is

roll and topple the tugboat and barge. The ice is dragged onto the barge, where it is crushed, melted and filtered before passing under ultraviolet lights to meet health stan-dards. The purified water is then stored in the barge's holding tanks. Mr Stamp says it usually takes eight workers about one week to fill a barge. The company

up against the iceberg to sta-

bilise it while a factory

barge moves in to break off

chunks with a crane and the

high-torque pincer grapple

designed to bite through

granite. The process is

fraught with risk, for subtle

changes in the iceberg's

composition could cause it to

expects to produce 1.5m lit-

help justify slightly higher res of iceberg water this year and double output in 1999 by launching two more factory

waters off Baffin Island and marconed on the rocky Greenland take years to Mr Poliack, who argues reach "Iceberg Alley", to the The tugboat then pushes

NOMURA GLOBAL FUND Société d'Investissement à Capital Variable Registered office: 6 Avenue Emile Reuter, L-2420 Luxembourg R.C. Luxembourg B 31 127

CONVENING NOTICE

The Shareholders of NOMURA GLOBAL FUND are hereby convened to attend an

EXTRAORDINARY GENERAL MEETING

to be hold on 21 December 1998 at 11.30 a.m. at the offices of Namura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg, with the following AGENDA:

! Amondment of the Articles of Incorporation of the Company: In Amendment of Article 5 to allow the Board of Directors to issue within a sub-fund different categories of shares

21 Champe of the date of the Annual General Meeting in each year so as to replace the "list Endown May" by the "first Friday in June" and lamend Article 10 accordingly. 31 Amendment of the delimition of "Eligible States" in Article 16 so as to include Eastern Europe therein and to amend "European Economic Community" to "European Union"

4) Amendment of Article 16 to allow the Board of Directors to use the technique of positing management by adding the following new paragraph or the end of Article 16. "In order to reduce charges and expenses with allowing a wider diversification of the investments the Board may decide that part or all of the assets of one or several Sub-Funds will be co-managed with all or pair of other Sub-Funds of the Company or with uswife behaviously to other collective investment schemes as defined in the prospectus."

51 Amendment of Article 21 so as to replace the eighth paragraph thereof by the following tax

"It to a paried of more than 20 consecutive days the value (at their respective net ascet values) of all outstanding Shares shall be less than 10 million US Dollars or the value of the outstanding Shares of a porticular class shall be less than 5 million US Dollars or, in the case of Shares denominated in a currency other than US Dollars the equivalent in US Dollars, or where the Board deems is appropriate Exiting the equivalent in US Dollors, or where the board deems it appropriate because of changes in the economic or political situation affecting the Company or the relevant class or because it is in the best interests of the shareholders of the Company or the relevant class, the Board may, by prior written notice given to all holders of Shares, or to the holders of the relevant class of Shares, as may be the case indeem at the Regemption Price determined at the date on which all investments relating to the relevant class or classes have been realized all (but not some) at the Shares (or of the Shares of the relevant class as the case may be) that proposally referenced in a programtion relice reflection the exploration. not previously redeemed, or a redemption price reflecting the addication and liquidation costs on winding up the Company or dosing down the relevant class, as the case may be, but with no redemption charge, or merge that class with another class of the Company or with another Luxembourg UCITS

When, all the Shares are so attected the directors shall convene an extraordinary Termination at a class as a result of compulsory redemption of all relevant Shares or its merger with another class at the Company or with another Liziembourg UCITS, in each case for reasons other than those mentioned oboxe, may be effected only upon prior approval by the shareholders of the class to be reminated or merged at a duly convened class meeting which may be volidly held without a

A merger so decided by the Board or approved by the shareholders of the affected class will be binding on the holders of Shares of the relevant class upon 30 days

prior notice thereof being given to them, during which period the shareholders may redeem their Shares without redemption charge. In case of a merger with a "fonds communide placement" the decision will be briding arriv on those shareholders having voted in favour of the merger Liquidation proceeds not claimed by shareholders upon the liquidation of the Company or the clasure at a class will be deposited at the Coisse de Consignation

in Luxembourg and shall be tortetted after 30 years." replace the ninth paragraph (now fifteenth paragraph) by the following

"In addition the Company shall inform holders of Shares by publication of a notice in newspapers to be determined by the Board, unless all such shareholders and their addrusses are known to the Company." I) Merger with NOMURA ASIAN INFRASTRUCTURE FUND and THE NCM JAPAN FUND

2) to approve the merger of NOMURA GLOBAL FUND (the "Company") with

1) to approve and ratify the Merger Proposal,

I. NOMURA ASIAN INFRASTRUCTURE FUND (NAIF) and

2. THE NCM JAPAN FUND (NJF)

two Luxembourg sociétés d'investissement à capital vanoble having both its registered office et à Avenue Emile Reuter, 1-2420 Luxembourg Into Normana Global Fund - Asian Infrastructure Sub-Fund and Normana Global Fund - Japan Sub-Fund respectively Upon hearing:

the report of the Directors of the Company in relation to the merger proposal (the "Merger Proposal") published in the Mémorial, Recuell des Societés et Associations in Luxembourg and deposited with the Chancery of the District Court in Luxembourg, and

the cualit reports prescribed by Article 266 of the Luxembourg law on commercial

3) to issue to NAIF shareholders without charge shares without par value corresponding to the shares of Nomura Global Fund. Asian Infrastructure Sub-Fund (the "New Shares") in exchange for the contribution by NAIF of all its assets and Robilities, at an issue price based on the net asset value per share of NAIF as of the last Valuation Day thereat preceding the Effective Day, as defined in the Merger Proposal;

to issue one New Share against one former share at NAIF, to registered shareholders in registered form (including fractional entitlements) on the basis of NAIFs share register on the Effective Day and to beaver shareholders in registered form ar, at their specific request beaver from, upon delivery to the transfer agent of the relevant beaver share certificates with all unmatured coupons attached thereto; 5) to issue to the shareholders of NJF without change shares without par value carresponding to the shares of Nomura Global Fund - Japan Sub-Fund (the "New Shares") in exchange for the contribution by NJF of all its assets and liabilities of an issue price based on the net asset value per share of NJF as of the last Valuation Day thereof preceding the Effective Day, as defined in the Merger Proposal.

6) to issue one registered New Share against one former share of NJF (including fractional entitlements) to the shareholders of NJF on the basis of the share register of NJF on the Effective Day. The meeting shall be validly constituted and shall validly decide on its agenda it at least one half of the capital is present or represented. The items on the agenda shalf be possed at the majority of two thirds of the shares present or represented at the meeting and vating.

In order to take part at the second extraordinary general meeting the owners of bearer shares must deposit their shares five clear days before the meeting at the registered officer of the Fund, 6 Avenue Emile Reuter, L-2420 Luxembourg. The following documents shall be at the disposal of the Shareholders of the Company to inspection and copies thereof may be obtained, free of charge, from Nomura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg:

(i) the text of the Merger Proposal;

(vi) the special report of KPMG Audit.

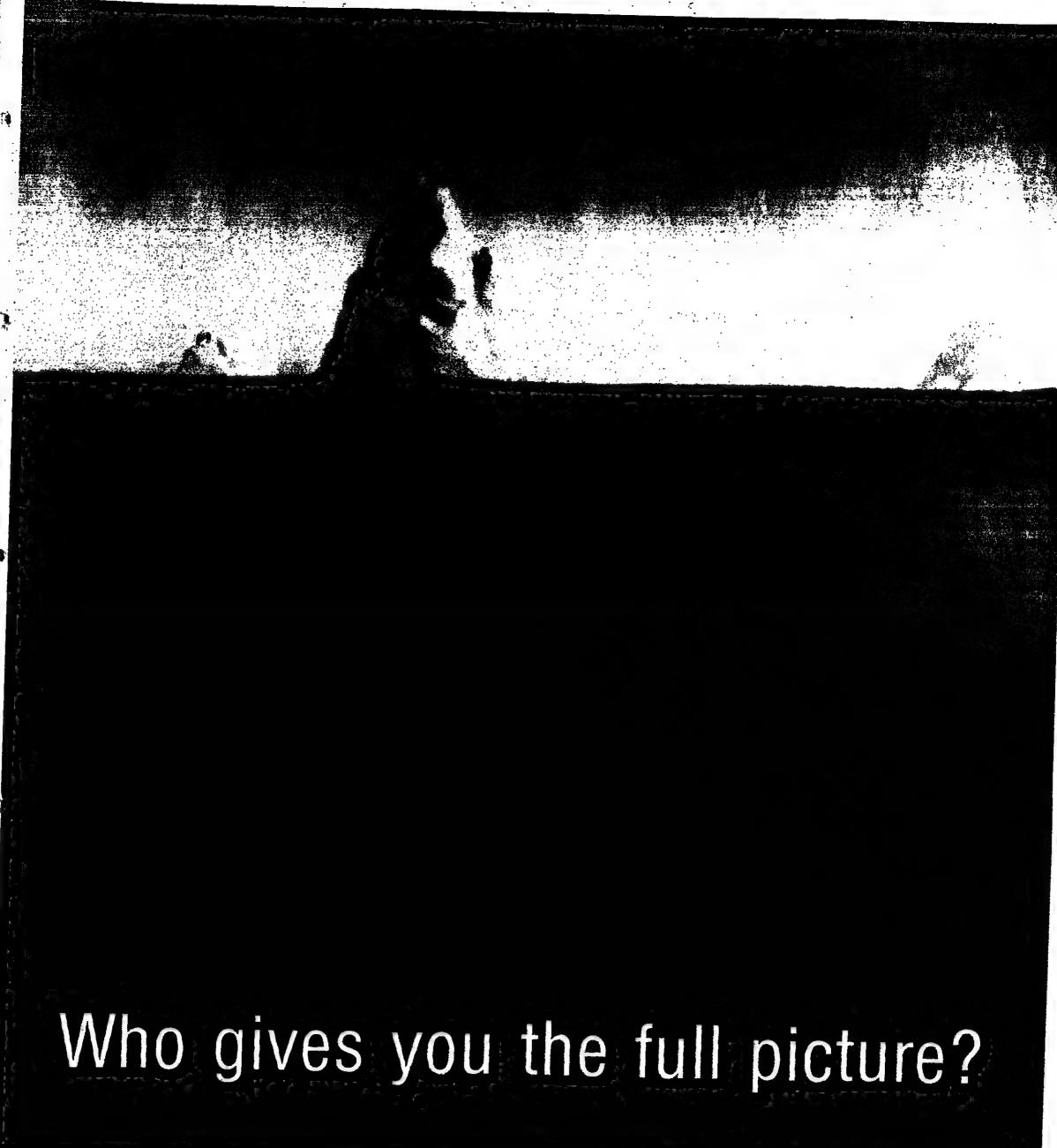
(ii) the revised prospectus of the Company: (iii) the audited annual accounts of the Company and of NOMURA ASIAN INFRASTRUCTURE FUND at 31 December 1995, 1996 and 1997 and their semi-annual accounts at 30 June 1998 and interim accounts at 30 September

(iv) the audited annual accounts at 31 March 1996, 1997 and 1998 of THE NCM JAPAN FUND and, its semi-annual accounts at 30 September 1998; the reports of the Directors of the Company, NOMURA ASIAN INFRASTRUCTURE FUND and of THE NCM JAPAN FUND;

Proxies should be sent to Normura Bank (Luxembourg) S.A., at its address above to the attention of Claire Garvey by no later than 18 December 1998. NOTICE Shareholders are hereby informed that from 29 January 1999 the cut-off time for submission of subscription, redemption and conversion requests will be 4.00 p.m. Luxembourg time. Any requests received by the Company or the Distributor after 4.00 p.m. will be dealt with on the next Valuation Date. The Board of Directors

Microsoft classical deal engineering

The Kink of operation



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Big deal day for manufacturers

In the biggest of a wave of about one-third by Coltec's, multi-million dollar deals to will have annual sales of hit the manufacturing sector yesterday. B. R. Goodrich. the Ohio-based maker of of about \$4bn. aerospace systems and specialty chemicals, announced that it was acquiring Coltec. \$60m a year by 2001, and 1998, would probably offer another industrial and aerospace components manufacturer, in a \$2.3bn share swap

As part of the transaction, Goodrich will move its corporate headquarters and its aerospace divisional HQ to nies' shares rising - Good-Charlotte. North Carolina, where Coltec is based. The move could affect about 170 staff, some of whom will get relocation offers. Goodrich stressed that its Ohio-based manufacturing operations, which employ about 3,300, would not be affected.

the aerospace market, and Goodrich said that an enhanced product range, coupled with the addition of "third leg" provided by Coltec's engineered industrial products business, was the rationale behind the deal. Coltec is a leading prosystems and industrial

sealing products. The combined company, which will be owned two-thirds by Goodrich shareholders and about \$5.5bn, and an estimated market capitalisation

The two companies see minimum cost-savings of Goodrich said the transactions should be earnings-enhancing in 1999. By 2001, the deal could add around 15-20 cents to earnings per share. The stock market reacted warmly, with both comparich by \$11 to \$37% and Coltec, by \$1 i at \$19%

Meanwhile, Dover Corporation, the New York-based industrial conglomerate, said that it would sell its elevator division to Germany's Thyssen for \$1.1bn.

The US-based elevator Both companies service business, the nation's second-largest, had annual sales of around \$880m in 1997, and notched up \$658m in the first nine months of the current year. Pre-tax operating profits in 1997 were \$105m. Dover had previously

announced plans to spin-off the elevator operations as a separate company to its place in early in 1999.

In May, Dover said the business did not fit with the group's other industrial operations and would fare better as an independent company. Analysts viewed the elevator operations as a service-type activity which, in spite of strong profits in less attractive returns than some other interests over the medium term.

Dover, which had groupwide sales of \$4.56bn last year, said that the sale to Thyssen would provide a one-off asset sale gain of \$2.30 a share. Dover shares gained \$1 to \$34%.

Over in the automotive sector, which has been a hubbub of activity for months as companies try to focus their businesses and service original equipment manufacturers on a global basis, deals flowed. Meritor Automotive, the

component supplier which was previously known as Rockwell Automotive, emerged as the buyer of the to offer a more comprehe heavy vehicle braking systems business of the UK's Lucas Varity. Lucas, which two weeks ago failed to move its domicile to Wall Street, had put the business

yesterday's price tag is ted by most UK analysts.

(\$104,000) in 1997, and net assets of about L65m. No profits were given but the business being sold is thought to be less profitable than the light vehicle brak-ing business which accounted for 90 per cent of Lucas' braking systems sales last year. When Lucas first announced the sale, it also said that it could not sustain a leadership position in a sector undergoing rapid con-

But Meritor, which was floated off from Rockwell in 1997, said that yesterday's price reflected the value of business to Meritor. It said that the deal should add around \$400m to its sales base and enhance its "geographical market reach" notably in Europe. It would also allow the US company systems and components. Meritor shares were up % at

Finally, Johnson Controls, one of the largest suppliers



sive range of drivetrain of automotive interiors. electrical power storage and conversion products. The

ing its industrial battery hattery business has annual business for \$135m. The sales of over \$67m, and manbuyer is C&D Technologies, which produces and markets ufacturing facilities in Mil-

German group to lift ranking with acquisition

the German industrial group that is merging soon with its historic rival Krupp, yesterday made clear its determination to rise up the list of world announcing that it would acquire Dover Elevators

from Dover Corp of the US. Thyssen has for some time ranking behind Otis and Dover in the US but ahead of Schindler of Switzerland and

Thyssen, which used to be best known for its steel operations but regards lifts as one of its core businesses, is believed to have beld talks with both Dover and Kone in the past couple of years. Dover was an attractive

proposition for the German group because it is particu-larly strong in the US, where it runs a nationwide service network. Dover Elevators

has annual sales of almost \$900m.

EXTR

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Thyssen believes that, once US and Canadian antitrust authorities have approved the takeover. North America will serve as lift manufacturers by a launching pad for the company's efforts to boost exports to Asia.

With sales of DM2.7bn (\$1.6bn), Thyssen Aufzilge, been one of the world's most the parent group's lift manu-profitable producers of lifts, facturing unit, was rated by the parent group's lift manuanalysts at the investment house Lehman Brothers to be the world's fourth largest producer.

Thyssen estimated yester day that it stood in fifth place but would rise to third as a result of taking over Dover Elevators.

The lift industry is a profitable sector of global industrial manufacturing largely because there are already so many installed lifts which require regular compulsory servicing, according to Leh-

NEWS DIGEST

TELECOMS

Saudi government plans privatisation

The Saudi Arabian government is planning to privatise its national telecommunications carrier in the first half of 2000 and has appointed investment bankers J. P. Morgan as overall privatisation advisers. It will be assisted by the Saudi International Bank, Saudi Arabia took the first step earlier this year with the establishment of Saudi Telecommunications (STC) as a joint stock company with the govemment as 100 per cent shareholder.

According to J. P. Morgan, the operator is now undergo-ing an extensive restructuring programme. No details of the proportion of the company to be sold or its likely value have been released but according to the authoritative US publication Telegeography up to 80 per cent of the shares could be made available.

With a population of 20.1m, the country had only 2.3m main exchange lines in 1997 and 332,000 mobile phone

CANNING

PLM opens plant in Russia

One of the biggest foreign investments to be completed since the Russian crisis in mid-August came on stream last week when PLM of Sweden opened a \$125m canning factory 70km south-west of Moscow. The new plant is designed to process 1.75bn cans a year and will replace imports from the company's Swedish and Austrian plants Up to August, Russia was one of the world's fastest growing markets for canned drinks.

Frederik Aro, president and chief executive officer of the PLM group, said the decision to build the plant was taken last July when can exports were running at 700m a year. "But that was before the crisis, Now we are projecting a throughput of about 500m cans a year and expect the n can market next year to be 50 per cent lower than in 1997. We will make a considerable loss next year and maybe it will take another year before we break even," he

PLM has a 52 per cent stake and made a \$60m equity investment in the plant with co-financing from the European bank for Reconstruction and Development and the International Finance Corporation, two Scandinavian funds and the US-based Ball Corporation, which took a 10 per cent stake in the plant. Anthony Robinson, Moscow

BANKING

Discount net income halved

Israel Discount Bank, the country's third largest, yesterday said net income plunged 52 per cent in the first nine months, as an economic slowdown eroded top line income and forced higher doubtful debt provisions. Net income fell from \$52m in the first nine months of 1997 to \$25m in the same period this year. Income from financing activities before provisions fell 9 per cent to \$438m over the same period, while provisions for doubtful debts jumped 19 per cent to \$106m.

Analysts say Discount - the least efficient bank in Israel - must cut costs to recover. "Discount must also clean its book if it is to turn round," said Rony Argi, Israel analyst at HSBC in London, "They are very exposed to the construction and diamond industries."

Discount's management recently settled a labour dispute that has paralysed the bank throughout 1998. The Israeli government, which holds 60 per cent of Discount, is currently seeking a buyer for 30 to 53 per cent of the bank. Avi Machlis, Jerusalem

Absa keeps net profit up

Absa, one of South Africa's big four high street banks, yesterday announced an increase of almost 20 per cent in taxed profit for the six months to September 30 to R883m (\$155m), despite turmoil in the financial markets and a surge in bad debts.

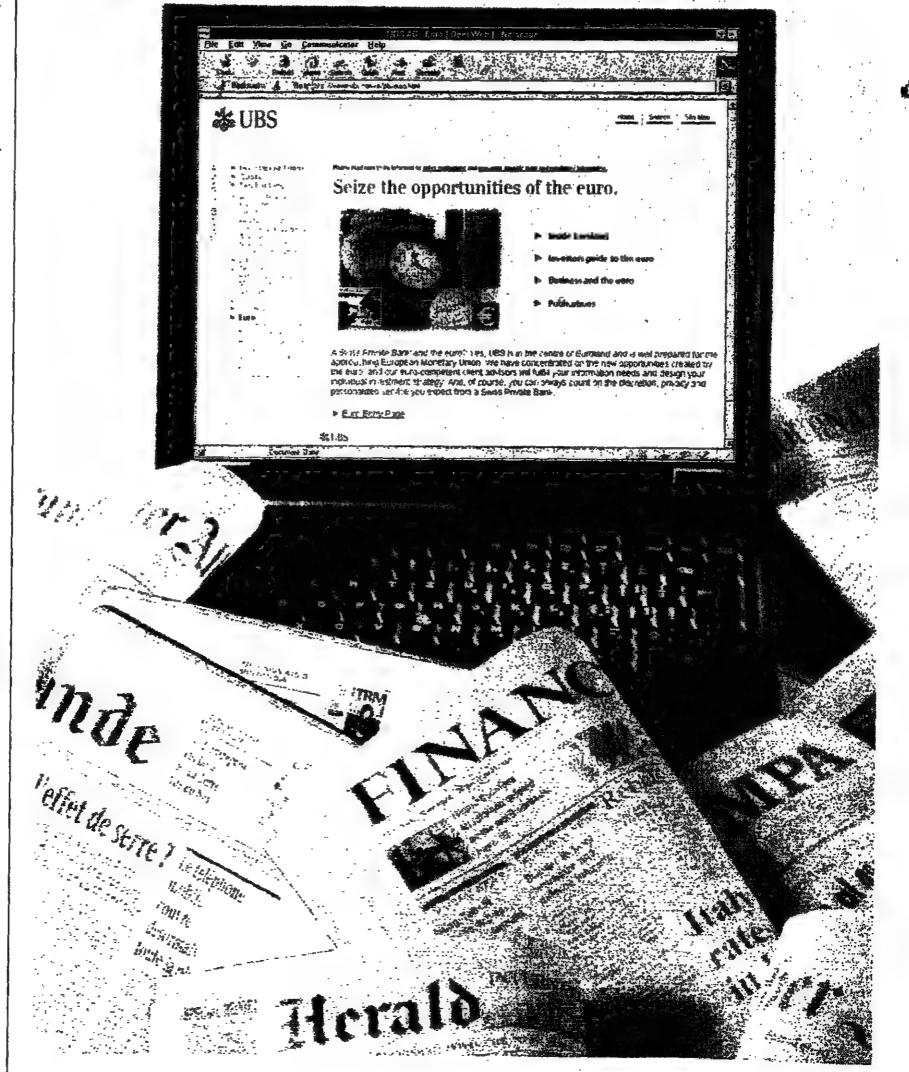
Turmoil in the markets has caused South African banks to complain about squeezed margins, as monetary policy was tightened unexpectedly to defend the rand. The currency came under attack between May and August, causing interest rates to rise to record levels. Absa said its margins had narrowed, but this was offset by strong growth in advances.

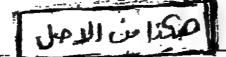
The bank lifted its corporate lending by 23 per cent, but held back on consumer lending, where most of its bad debts occurred. Net interest income was up about 13 per cent in the six months to September, compared with the same period last year.

The bank cashed in on the volatility in the markets to make healthy trading profits. In line with other banks, Absa chalked up a strong increase in non-interest income of almost 17 per cent to R2.3bn.

Provision for bad and doubtful debts surged almost 27 per cent, reflecting consumer difficulty in meeting mortgage payments in an environment of record high interest rates. Greta Steyn, Johannesburg

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FINANCIAL TIMES TUESDAY NOVEMBER 24 199

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TO SEE RIVILLE

COMMENT

GRE

Pearson's \$860m US deal falls through

Milliam Lewis in New York

company, is taking legal owns the Financial Times, advice after the collapse yesterday of its \$860m deal to the educational publishing sell two publishing busi-titles of Simon & Schuster nesses to the US private from Viacom after selling equity firm Hicks, Muse, operations representing Tate & Furst

Pearson said it would keep tional revenues. the reference and business and professional publishing ping titles out of 35,000 and pany Simon & Schuster, gramme for schools was

The UK company, which was yesterday cleared to buy \$35m of the \$1.4bn educa-

The disposal of 55 overlapoperations of the US com- an elementary science pro-

to Hicks Muse as part of a ment of Justice. However, \$850m when the Viacom deal "It had nothing to do with Group and the likely sale of \$4.6bn deal with Viacom, the this leaves the businesses went through. But Hicks our ability to raise finance. a £350m stake in British Sky that Pearson wanted to Muse tried to renegotiate the acquire largely intact.

The clearance by the US authorities will allow the deal to be completed this week, and is likely to be welcomed by analysts, However, Pearson now faces trying to sell some of the assets that were to have been bought by Hicks Muse.

Pearson reached agreement in July with Hicks Muse to sell on the reference

price after revenues fell below estimates.

John Muse, a partner in the US firm, said it had discussed alternative prices and structures with Pearson all last week. "But the bottom line was that we were unable to reach a renegotiated price with them," he

Mr Muse said it was only the third time the US group ordered by the US Depart- and business divisions for had terminated a contract. lowing the sale of Tussauds

We were prepared to complete at the same multiple as re originally envisaged.'

Pearson and it would fold the business and reference into current operations. It may keep a set of computer publishing titles, representing 45 per cent of revenues.

Analysts estimate Pearson could keep its year-end debt to about £3.5bm (\$5.9bm) fol-

Broadcasting, bringing interest cover to about 3.5 times.

Pearson said it was pleased to have completed the deal for the educational publishing titles largely as planned, and intended to integrate the other operations. It would not

The collapse of the deal was announced after the close of the London stock

GRE confirms takeover talks Guardian Royal Exchange,

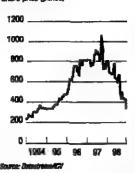
maker and music publisher yesterday as it warned presubstantially lower than expected.

The south-east Asian Jan anese and Australasian markets had been affected by a Boosey said. There had also been a slowdown in the UK market, with dealers reducing their holdings of stock. while sales of the company's Rico reeds in the US had been affected by stock reductions by retailers.

The south-east Asian operations would not return to 337%p, well below its preto profit this year, despite a

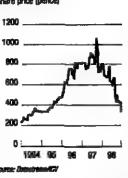
Richard Holland, chief executive, said: "Everything is primarily related to the back on our factories."

underlying profits of about £7m for 1998, against £8.1m in 1997. That, however, did £1m for closing and restructuring businesses. Nor did it taken because of a downturn include the £1.1m cost of in demand.



vious low for the year of 435p. Merrill Lynch, the company's broker, reduced pretax forecast for 1998 to £6m after the restructuring costs. but before the costs of buying out Carl Fischer. That gives earnings of 21.1p, putting the shares on a forward

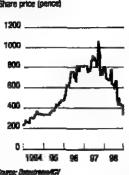
 Shares in Servomex, the industrial instruments supplier, fell 58%p to 99p after it said it planned to spend £750,000 this year to make full-year savings of £500,000. The measure was being



buying out Carl Fischer, the US music publisher that was Boosey's largest shareholder.

The shares dropped 87%p

p/e of just under 18.



the UK composite insurer, told the stock market yestercould lead to the sale of all or parts of the company. Shares in GRE jumped by 421/ap to close at 3501/ap, valuing the group at just over 23bn (\$5bn). GRE, the smallest of the UK's big composites, has frequently been date, but its shares had fallen from a spring peak of 495p following profits down-grades and concerns over

Responding to what it GRE camp to flush out any described as recent newspa-other potential bidders. Mor-per speculation, GRE said: gan Stanley Dean Witter, the

weather-related

"Against a background of US investment bank, is ongoing consolidation in the financial services sector,

ling stake in Sun Life & Proboth in the UK and overseas vincial, the UK life assurthe company continuously monitors events. It is examance company, and has said ining a number of possible it wishes to expand in the alternatives, which may or may not lead to an offer for UK. Axa also does not share the UK stock market's curthe company, to determine if rent hostility towards genany demonstrate sufficient been suffering from excess benefit to be recommended capital, low premiums and high underwriting losses. to its shareholders. Aza, the French insurer, recently approached GRE, but the UK composite felt it was not willing to pay 19 per cent of GRE's preenough, although no offer

mium income last year. GRE could give expanding Analysts believe week international insurance con panies a significant foot-hold in the UK, which last year accounted for 42 per cent of

has significant busines Ara already has a control- Europe - particularly Ger-- the US and South

likely to be considered by most of the large insurers which have been consolidate ing the European market in recent years - such as Assurances Générale of France, Allianz of Germany, and Switzerland's Zurich Group, which recently merged with BAT's financial services business. AIG of the US could also be interested in GRE's property and casu-

Midwest and north-east. GRE's portfolio will also

Increased costs dent Salvesen

Falling demand from customers and rising costs at its industrial logistics division held back interim profits at Christian Salvesen, the logistics group.

The industrial side, which distributes components and end products for customers such as Dunlop Tyres and Du Pont, accounts for about a quarter of Salvesen's turn-

The group said volumes declined by about 5 per cent as UK industrial output slowed. Costs rose because of a truck driver shortage

which forced the division to ness volumes. Overall, about hire expensive agency Overall, pre-tax profits

rose by 1.5 per cent to £19.6m (\$33m) in the six months to September 30, excluding an exceptional gain of £3.7m. just 40 per cent. Sales increased from £264.1m to £298.3m and earnings per share were 6.5p (5.1p). Edward Roderick, chief

executive, said the industrial division's cost problems were temporary and would He also said it was Salvesen's only UK division with a majority of its business

60 per cent of Salvesen's fixed management charges. In the industrial division. where profits dipped 19 per cent to £8.1m, the figure is

Mr Roderick said the alising its facilities, notably selling its lossmaking Elstree site to J Sainsbury. Such initiatives helped the food distribution division ease as the economy slowed. .increase profits by 19 per cent to £11.6m.

in Europe, profits fell by exposed to changes in busi- 19.6 per cent increase in

and start-up costs. Mr Roderick said rational-

isation had belped produce a net cash inflow of £38.5m, halving gearing to 30 per

acquisitions in continental Europe, which will be concentrated on Spain, Italy and the Benefitz countries. Salvesen will wait to see

how the economy develops

TBL, the airports and property group, yesterday ounced a 28 per cent rise

erty division tenant demand

The shares fell nearly 5 per cent, or 4½p, to 88½p. Passenger levels at the airports rose 12 per cent in the six months to September 30, which helped boost profits

power, transport, construc-tion, telecoms and media. increase in operating profits after a 10 per cent lift in

per cent increase in the amount spent by each

spending would be hit next year by the expected aboliwithin the European Union. This is expected to reduce

The group is continuing to expand its airports business and is expected to make a new attempt to buy Belfast City airport from Short

profits of £4.9m.

irectly dirports.
Analysts believe the group analysts believe the group ariting the property has been sent to be a sent to

is slowly exiting the property sector and will be Earnings per share rose

from 2.84p to 3.25p but the interim dividend is being

Boosey shares tumble 20% on warning

Shares in Boosey & Hawkes, the musical instrument fell more than 20 per cent tax profits for 1996 would be

far east. That's where our weaker demand has begun. We have seen sales in Japan this year down on last year. This effect has impacted The company expected

NOMURA ASIAN INFRASTRUCTURE FUND

Société d'Investissement à Capital Variable Registered office: 6 Avenue Emile Reuter, L-2420 Luxembourg R.C. Libernbourg B 34 248

CONVENING NOTICE

EXTRAORDINARY GENERAL MEETING

to be held on 21 December 1998 at 11.30 a.m. at the offices of Nomura Bank (Luxembaurg) S.A., 6 Avenue Ermic Reuter, L-2420 Luxembourg, with the following AGENDA to approve and ratify the Merger Proposal,

to approve the merger of NOMURA ASIAN INFRASTRUCTURE FUND (the "Company") with NOMURA GLOBAL FUND, a Linembourg société d'investissement a capital variable with its registered office at à Avenue Emile Router, L-2420 Linembourg ("NGF") into Nomura Global Fund - Asian Infrastructure Sub-

the report of the Directors of the Company in relation to the merger proposal (the "Merger Proposal") published in the Murrianal, Recueil des Sociétes et Assadations in Luxembourg and deposited with the Chancery of the District Court in Learnhours: and

the audit reports prescribed by Article 266 of the Levembourg law on commercial companies, to occupi the Issue without charge of shares without per value of Nomura Global Fund - Asian Infra iub-Fund (the "New Shares") in exchange for the contribution of all assets and liabilities of the Company at an issue price based on the net asset value per share of the Company as of the last Valuation Day precuding the Effective Dan, as defined in the Merger Proposal,

to accept the usue of one New Share against one former share of the Company, registered shares (incl tractional entitlements) being allocated to the registered shareholders of the Company on the basis of the shareholders' register of the Company on the Effective Day and to bearer shareholders in registered form or, at their specific request, in bearer form upon delivery to the transfer agent of NOMURA GLOBAL FUND of the referent bearer share certificates with all unmatured coupons attached thereto.

In take note that as a result of the reserve that to take note that as a result of the merger the Company shall be wound up without liquidation, that all its former shares shall be concelled and that the assets and liabilities of the Company shall be deemed to be

The meeting shall be validly construited and shall validly decide on its agenda if at least one half of the capital is present or represented. The nems on the agenda shall be passed at the majority of two this present or represented in the meeting and vating. in reder to take part at the extraordinary general meeting the owners of bearer shares must deposit their shares one clear days before the meeting at the registered office at the Company, 6 Avenue Emile Reuter, L-2420

The following documents shall be at the disposal of the Shareholders at the Company for inspection and copies thereof may be obtained, free of charge, from Nomura Bank (Lovembourg) S.A., & Avenue Emile Rester, 1-2420

- the text of the Merger Proposal,
- the prospectus of NGF.
- the audited annual accounts of the Company at 31 December 1995, 1996 and 1997, its semi-annual accounts at 30 June 1998 and its interim accounts at 30 September 1998. the audited annual accounts at 31 December 1995, 1996 and 1997 at MGF and, its semi-accounts at 30 June 1998 and its interim occounts at 30 September 1998;

the reports of the Directors of the Company and at NGF,

In1 the special report of KPMG Audit Proues should be sent to Nomura Bank (Luxembourg) S.A., at its address above to the attention of Claire Garres by no later than 18 December 1998

The Investment Objectives and Policies and dividend policy of NGF - ASIAN INFRASTRUCTURE SUB-FUND are secretical to the current Investment Objectives and Policies of your Company. The currency of expression of the Sub-Fund as well as the consolidated currency of NGF is USO. The sales charge remains unchanged and is up.

Also the Investment Manager, NOMURA ASSET MANAGEMENT UK LIMITED and Investment Sub-Managers NOMURA ASSET MANAGEMENT CO., LTD. and NOMURA ASSET MANAGEMENT SINGAPORE LIMITED will remain the same in NGF - ASIAN INFRASTRUCTURE SUB-PLIND. The investment management fee, out of struct Advisers are paid, remains unchanged.

MONILIRA GLOBAL FUND has the following particularities, which are almost identical to your current structure. The cut-off time for submitting your subscription, redemption and conversion orders to be executed on the same Valuation Date is 4 00 p m. Luxembourg time. Prices are available at 4 00 p m on each Valuation Date.

Subscription moneys must be paid within 5 Livernbourg business days following subscription. Redemption moneys are transferred to you usually within 5 Livernbourg business days following the relevant Valuation.

Minimum initial and subsequent subscriptions must be for an amount equivalent to at least 1,000USD. Also, should tollowing a redemption request, your residual holding fall below this amount, your redem NOMURA GLOBAL FUND is not, as appased to your Company, listed on the Luxembourg Seach Each

except for the Norman Global Fund - Asia Pacific Sub-Fund Application will be made to list Norman Global Fund - Asian Infrastructure Sub-Fund on the Luxembourg Stack Exchange. The accounting year of NOMURA GLOBAL FUND starts on 1st January of each year and ends on the 31st

of December The date of the Annual General Meeting of shareholders is the first Friday in June each year or 3 00 p m. (or it such day is not a Valuation Day, on the next following Valuation Day). Shares at one Sub-Fund may be convened into shares of another Sub-Fund without chair the fourth conversion in any 12 months period, where a conversion fee of 1% is applied).

The costs relating to the marger are expected not to exceed 100,000 USD and shall be borne by NGF - ASIAN INFRASTRUCTURE SUB-FUND and NGF - JAPAN SUB-FUND proportionarely to their net assets

The Board of Directors

The second secon

Vivendi readies itself for \$500m of hotel disposals

Vivendi, the French group formerly known as Compagnie Générale des Eaux, is understood to be preparing to sound out potential buyers for 40 or more of its hotels. These have been estimated to be worth up to

\$500m. Among those who are expected to be interested in the properties are Jarvis Hotels, the UK company which harbours ambitions to expand into continental

Jarvis is believed already to have approached potential backers to invest alongside it in continental Europe and

would be most likely to take Grand in Amsterdam, the interest in Stockholm on a management role at any properties acquired.

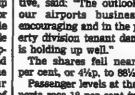
Blackstone, the New Yorkbased investment group which bought the Savoy Hotel group earlier this year, is also thought to be eager to expand into continental Ramon Pajares, managing assets, director of the Savoy, are looking for luxury hotels which could be brought

under the Savoy name. The portfolio of European Demeure hotels. Some are huxury hotels, including 47

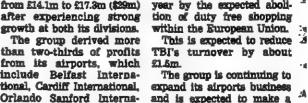
Baltimore in Paris and Anglais in Geneva. Vivendi also owns a group

of about 35 Libertal two or three star hotels. Compagnie Générale d'Immobilier et de Services, the group's property holding company, said Europe. Blackstone and it was its policy to sell some "including our hotels". CGIS disposed of understood to have been FFr5.5bn (\$980m) worth of assets in 1997 and has about another PFr10bn earmarked for disposal.

Vivendi has been easerly includes the Westin nesses, cutting debt. It



The biggest contributor to hotels being marketed, selling peripheral busi- the sirport division's profits was Belfast International remains spread across water, | which produced a 17 per cent



TBI's property division , sold 12 properties in the first balf for £44m, producing

The group did not make any new investments in properties that were not a directly linked with its

reclassified as a transport # group,

By Robert Wright

The receivers of Yardley of London, the "quintessen-tially English" cosmetics group, yesterday made their first sale when the Bath Luxuries division went to Wella, Tony Thompson and Roger Oldfield of KPMG, the accountants, sold the division for an undisclosed sum,

Wella buys **Yardley** division

Luxuries - which made some of Yardley's most famous products, such as Yardley English Lavender and Lily of the Valley – had sales last year of £10m to £15m (\$25m), about a quarter of the total. The division also enjoyed gross margins of 45 per cent, making it the most profitable division. The deal involved intellectual property rights for more

than 100 countries. The

rights for South Africa and

North America have not

been sold. Yardley's North

American operations are run

by a company owned by

Wasserstein Perella Manage-

ment Partners, the US

investment bank which also

owned Yardley of London.

although Mr Thompson said he was "highly pleased"

with the price. Mr Thompson said Bath

Park Street in London, The

(107.8) (1.24) (20.7) (10.9) (7.27) 126.7

(7.13) 15.01 (8.361.4) 311; (1.951.7) 6.821. (0.505) 3.95 (1.73) 13.11; (1.68) 4.1; (3.69) 1.361; (2.18) 1.04; (-) 4.81; (1.03) (1.04) 0.061; (1.4) 17.4; (3.67) 13.41; (2244) 1.45; (3.67) 20.37; (10.3) 187; (14.17) 3.25; (14.17) 3.25; (14.17) 3.25; (14.18) 3 (20.7) 2.11 (10.9) 2.154 (7.27) 2.584 (35.8) 2.63 (34) 3.01 (-) 0.7161 (26.5) 1.04 (0.026) 0.11 (73) 12.67 (110.2) 10 (264.6) 23.57 (282.) 6.774 (21) 6.174 (38.9) 17.37 (4.05) 0.352 (125.3) 8.197 _ Yr to June 30 ± 6 miles to Oct 3 ± _6 mSts to Oct 3 Ma1 outh Staffs Water 6 miles to Sept 30 6 miles to Sept 30

Carbonne Scotland 3 miles to Oct \$1 381 (457.7]) 0.396 (0.499) 2.92 (3.69)

BICC fibres sale

By Thorold Barker BICC. the cables and construction company, has months. agreed to sell its 50 per cent interest in Optical Fibres to optical cable, the finished its joint venture partner product, and Corning will Corning, the US glass manu-

facturer, for £26m (\$48m) in

Corning will also assume

Alan Jones, chief execu-

tralance sheet.

the joint venture's \$28m of BICC and Coming's Austra-

debt that was all on BICC's han joint venture will be

tive of BICC, said the price of optical fibre had fallen by 40 per cent in the last six

ed for scrip teams. Zirists currency. Tile July 31

BICC will continue to sell supply fibre to BICC at a "competitive price" for more than five years. Optical Waveguides Fibre.

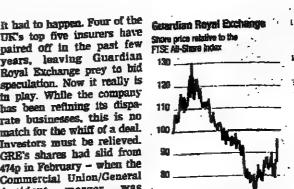
unaffected by the deal, BICC

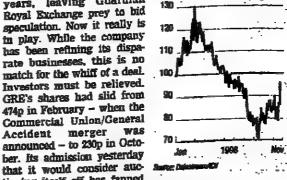
shares opped up 7p at 69p.

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that it would consider auctioning itself off has fanned the recovery. At 350%p, the shares are on a modest premium of about 15 per cent to net asset value, adjusted to include the life business's embedded value. This remains well short: of the roughly 1.6 times book value paid by Norwich Union for London & Edinburgh. Clearly the value squeezing exercise has some way to run: adding in GRE's goodwill gives a starting point above 360p.

With overcapacity plaguing the general insurance business, most logic would lie in a deal with cost-cutting potential. Royal & Sun Alliance, CGU and Allied Zurich appear to have their hands full with integration tasks. But can they afford to let a big continental rival, such as Axa or Alliance. steal 6 per cent of their home market? Most value might be d by selling parts of the portfolio separately. GRE must be considering doing this itself so that it can benchmark any offers. It is good to see it becoming realistic about

London Electricity

Someone is doing London Electricity a favour. Talk that Eléctricité de France's bid for London Electricity might face competition problems has helped push up the price. The risk of regulatory delays have to be compensated for by more cash. One issue appears to be that the French electricity a market is not as open as the UK's. It is conceivable the European Commission might want to impose conditions on the French in the interests of reciprocity - although France does not have to start implementing a Commission liberalisation directive until next year. But it is difficult to see what objections UK authorities could have: EdF has only 6 per cent of the UK electricity generation market. True, EdF, a state-owned monopoly, may undercut UK coal-fired genera-tion. But so can others, such as gas-fired power generators.

TBI's 23% rise aided by growth in airports unit

in first-half pre-tax profits from £14.1m to £17.3m (£29m) after experiencing strong

growth at both its divisions. from its airports, which include Belfast International, Cardiff International, Orlando Sanford International and a 90.1 per cent

Skavsta airport. tive, said: "The outlook for petition regulators. our airports husiness is encouraging and in the prop-

from this division 17 per cent to £17.6m.

Analysts said passenger J

Keith Brooks, chief execu- off three years ago by com-



24 HRS GLOBAL OFFSHORE TRADING

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EURO PRICES

EQUITIES

Takeover talk boosts Europe

EUROPEAN OVERVIEW By Philip Coggan, Markets Editor

A wave of merger and takeover stories across the continent ensured another good session for European stock markets yesterday with the Dax in Frankfurt regaining

The confirmation of the oft-reported talks between Deutsche Bank and Bankers Trust of the US; the tie-up between UK engineering stocks BTR and Siebe; and the approaches to UK insurance group Guardian Royal

100

 $\mathcal{L}_{i} \times \mathcal{L}_{i}$

fire when the chief of the management board said a per cent to 964.12, big merger was a "very clear The strength of the dollar

against the D-Mark, on the back of concerns about President Yeltsin's health, and a strong start on Wall Street, where the Dow Jones Industrial Average was in sight of its all-time high, also did its bit to help European

bourses.
The FTSE Eurotop 190 index gained 56.78 or 2.2 per cent to 2,700.16, while the 5.03. broader Eurotop 800 rose 25.8 to 1,162.08. The FTSE Ebloc

day for speculators. Dresd-100 index, which focuses on ner Bank added fuel to the stocks in the core euro countries, advanced 17.57 or 19

Once again, however, the European blue-chip stocks per cent; with Bouygues conwhere gains were limited to the 0.5 per cent-1 per cent range, a sign the rally is not that broadly-based. 168,79.

cent, with Deutsche up Ecn 1 at Ecn 55.68 and Dresdner Ecu 2.6 at Ecu 36.20. And the 3.8 per cent, thanks in part to GRE's Ecu 0.6 rise to Ecu

port where the strength of the dollar induced a 4.8 per Construction was the main

The sheer speed of the said it has cut its recomper cent to 55 per cent, thereby increasing its cash

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FISE Billing 100	884.22	+1,88	+17.57	2/75	14.85	978.4
FTSE Guestald	1115.57	+1.00	+12.02	2.95	0.31	1154.1
FTSE Burnhald Shine FTSE Burnhald & UK	1186.04	+4.56	+10,00	2.46 2.38	0.02	1180.1 1180.1
PTEE Elevator 100 Region						
Eurobine	1204.87	+1.71	+80.22	2.00	21.46	1230.4
UK Estape Ze-Establas	1804.49	+2.65	+32.44	2.82 1.87	48.71 38.46	1765.0
Byrope Ex-UK	1201.54	+1.85	+69.17	2.15	19.50	1273.6
FISE Broky Industry S	_					
Etomics	866.44	+1.54	+12.49	3.23	25.22	926.0
Extractive Includings Oil, integrated	765.27 358.08	+2.65	421.25 412.51	4.55 3.17	14.54 21.73	779.9(879.8)
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inding him 3 mess September	892 04 899.74	+1.68	+12.55	251 279	8.96 17.45	989.75 885.00
Diversified industrials	232.24	+0.74	+6.23	2.56	22.61	058.8
1 194 CO	\$30.14	+1.81	+16.55	1.79	5,41	935.21
ingibeering Paper, Policy & Printing	863.08 850.10	+2.19	+26.41 +19.45	3,92 2,61	12.32 1.21	86£11
OVERSEE GOOS	1195.21	+1.16	+18.75	1.68	59.06	1254.0
Adomicies	888.15	+1.67	+16.20	2.57	18.25	896.36
Hostolic Deverages	973.38	*L55	+32.41	275	206.79	1450.8
Food Produces	1015.98	+1,30	+13.98	1.50	71.94	1036-9
ingunitad (1900 & 190) Ingilians	1017,44	+1.33	+13,32 +26,78	1.97 1.32	7,96 13,51	1025.0
togramouslimis	1043.46	+0.00	*1.13	1.24	5.27	1049.1
abecco	1273.78	40.33	+4,19	3,99	15.88	1291.3
ERFICES	1172.42	+2.0	+53/35	2.02	22.93	120E.0
light throliges.	767,90	+0.8%	+4.18	283	11.37	776.57
anum & Tomas lacia	7(1,81	+1.13 +1.07	+7.94	3.50 2.20	12.27	721,53 10(8,0
lotafora, Food	1052,48	+1.94	+10.	1.95	14.17	1067,7
statics, General	975,90	+0.44	+4.29	125	20.46	985,42
disconnectications from the A. Charles	1114.72 774.27	+228	+36.57	1.76 3.45	18.52	1128.7
Sport Savies	9(L23	+244	+22.44	1.56	9.87	951.21
meant.	981.68	+4.82	+45.61	251	18.24	1009,97
dominition Transmings	1477.97	+1.25	+11.10	3.82	2.33 57.04	1802.80
in the state of th	1107.51	40.55	46.02	100	27.84	1138.7
ing Distribution	1200.91	+2.04	+24.15	1.55	93.32	1332.1
Palest	1074.18	+3.18	+33.25	4.74	81,72	1119.36
NUCLES	1251.91	43,71	+4L12	2.02	72	1205.6
tric, fishii	869.33	+3.96	+33.12	3.37	131,20	司にお
Auget A tourno	\$72.20 1127.34	+281	+27.長	1.43	11.29	983,83 1141,98
the Remote	103.83 F		+16.40	2.27	15.95	868.AE

	Lies Smorth and		46.27	442.00	4.34	30.32	
	FISE Eurolog 100	2700.16	+2.15	+56.7%	2.36	. 34.85	967.35
45	FISE Billio 100	884.12	+1.86	+17.57	2/75	14.45	978.4S
100	FTSE Burnland	1115.57	+1.00	+12.03	2.95	9.31	1154.13
	. FISE Burdeld Shine	1186.04	+8.87	+10,00	2.48	0.02	1180.19
4.0	FISE Burnhald & UK	1150.00	+4.56	+6.46	238	0.02	1100.86
VI	175E Barolus 300 Regio	-					
800	Establish	1204.87	+1.71	+40.22	2.00	21,46	1230.43
Germany — 3.5	. IK	1894.48	+3.65	+32.44	2.32	44.71	1765.86
W	Europe Ze-Eurobias	1129.73	-247	+31.52	1.67	38.46	THE
TAN	Brose Br-UK	1201.54	+1.35	+62.17	2.15	19.50	1273.85
700			¥ 1.00	70-61/	5.70	18-00	serves.
Aug 1996 Nov 1 3 5 7 10 15 20 30	. FISE Broky Industry S						
Sooner FTSE International, Internative Coda/FT Internation	ACTORICES	865.44	+1.54	+13.45	3.23	29.22	926.97
STANDS LACT HERMANN BURNELS BURNELS	Extractive Incumbins	768.77	+2.86	421.25			779.50
		258.0B	+1.48		45	14.54	
	Oil, integrated	636770	+1.40	+12.51	2.17	21.73	879.56
	SERVINGE LANGUES	1048.50	+1.35	+19.01	283	21.20	1071.06
THE MARK DES DESIGNATION AND STATE OF S	Construction	860.46	-1.89	-9.67	121	11.66	870.47
THREE MOUTH EURO FUTURES (LEFT) Earling points of 100%	Mary No. 3 Ages	892 04	1A	+12.65	2.51	8.96	-869.75
Open Sett price Change High Lost Est, sel Coan bit.	Charrienia	889.74	+1.68	+14.38	279	17.45	BBS.00
	Diversified industrials	232.34	+0.74	+6.23	2.56	22.61	058.87
	Distance is that down	830.14	+1.81	+16.55	1.79	5.A1	935.21
·	Engineering	851.08	+2.19	+26.41	3.92	12.32	86L11
90.715 +0.086 B 2305		850.10		+19.46	2.61	1.01	
- # 96.715 +0.095 9 129A	Paper, Policy & Prisately		+2.40				89 1.18
	COMSTRUER COOK	1195.21	+1.16	+13.75	1,68	50,08	1254.02
	Automobiles	898.15	+1.67	+16.26	257	18.25	896.36
THREE MONTH BUILD OPTIONS (LITTE) Bayton points of 160%	Alcoholic Berestons	973.38	-1.55	+33.41	2.75	296,79	1450.05
Sela INII - PER	Food Produces	1015.98	+1.30	+13.98	1.50	71.84	1036.96
	Roument Group & Trans	1017.44	+1.23	+13.32	1.87	7.88	1025.08
	Hadistry	881.05	47.10	+26.76	1.32	12.51	904.38
96500 0.050 0.260 0.270 0.290 0.145 0.065 0.105 0.116	Pharatecoulinis	1043.46	+0.00	11.34	1.24	5.27	1049.12
90028 0.005	Tobacco	1273.78	48.33	+4,19	3.99	15.68	1291.30
Est. vol. 60td, Cafe II Puis II. Province day's open lat., Cafe II Pale II	10mmm	12/3//8	10.30			19.00	1211.20
	SERVICES	1172.42	+240	+23.32	2.02	22.93	120B,07
IN 1795 BURNOY THE MOST PURILES (LITTLE SELECTION IN the leader print	Distribution.	767.00	+0.85	. 4 4 6			776.53
to a second of the course indicated before better being the part being					283	11 17	
				+4.18	2.83	11.37	
Open Sett price Change High Low Bit. vol Open lei.	Letters & Termina	711.81	+1.13	+7.94	3.50	12.27	721,53
Open Sett prica Change High Low Bit. vol Open let. Disc 2899.0 2717.0 478UD 2717.0 2883.0 820 7366	Lateurs & Tomas Hecks	711,81	+1.13 +1.87	+7 <u>.94</u> +16.51	3.50 2.20	12.27	721,13 1018,01
Open Sett price Change High Low Bit. vol Open lei.	Herita Hecks Retailers, Food	7(1,81 1007,26 1052,49	+1.13 +1.07 +1.04	+7.94 +16.91 +10.98	3.50 2.24 1.95	12.27 10.00 14.17	721,53 1018,01 1007,70
Open Set price Change High Low Bit. vol Open let. Onc 2899.0 2717.0 4780.0 2717.0 2883.0 820 7366	Letters & Tomes Media Antalism, Food Outputers, Garagel	711.81 1007.26 1052,48 975.30	+1.13 +1.07 +1.04 +0.41	+7.94 +16.51 +19.50 +4.29	3.50 2.26 1.95 2.25	12.27 10.88 14.17 20.46	721,13 1018,01 1007,70 905,42
Open Set price Change High Low Bit. vol Open let. Onc 2899.0 2717.0 4780.0 2717.0 2883.0 820 7366	Lateurs & Tennes Herdin Potoffere, Front Historica, General Telecommunications	711.81 1007.26 1052,40 975.30 1114.72	+1.13 +1.87 +1.84 +0.44 +2.28	+7.94 +16.81 +10.80 +4.29 +36.90	3.50 2.24 1.95 2.25 1.76	12.27 10.88 14.17 20.46 13.52	721,13 1018,01 1017,70 905,42 1128,79
Open Sett prica Chringe High Low Bit. vol Open left Disc 2899.0 2717.0 4788.0 2217.0 2888.0 820 7385 Miler 2725.8 +59.6 0 1080	Letters & Tenter Hecks Rubblers, Food Orbalets, Glennes Transcontractions Eventures, Pales & Human	711.81 1007.26 1052,40 975.90 1114.72 779.27	+1.13 +1.87 +1.84 +0.44 +2.28 +4.08	+7.94 +16.51 +110.50 +4.29 +36.90 +30.57	3.50 2.24 1.95 2.25 1.76 3.46	12.27 10.88 14.17 20.46 13.52 16.00	721,13 1018,01 1067,70 905,42 1128,79 703,05
Open Sett prica Change High Low Bit. vol Open let. Disc 2899.0 2717.0 478UD 2717.0 2883.0 820 7366	Hede Hedelers, Food Retailers, General Telecommunications Received, Park L	711.81 1007.26 1052,40 975.30 1114.72 774.27 911.23	+1.13 +1.87 +1.84 +0.44 +2.26 +1.08 +2.46	+7.94 +16.81 +110.88 +4.29 +36.90 +30.57 +22.44	3.50 2.24 1.95 1.25 1.76 3.45 1.56	12.27 10.66 14.17 20.46 13.52 16.00 9.87	721,13 1014,01 1017,70 985,42 1120,79 703,05 961,21
Open Set prica Change High Low Bit. vol Open jul. One 2899.0 2717.0 +NU.0 2717.0 2888.0 820 7885 Mir 2725.8 +99.0 0 1080 IM SURO STYLE PTRE BURGTOP 100 DROEX OPTION (ASO) Restro per inviex point	Letters & Tenner Hedden, Food Guidens, General Telecontractications Rosentes, Pate & Marie Support Services Transport	7(1,6) 1007.26 1052,60 975.30 1114.72 770.27 9(1,23 901.98	478 478 478 478 478 478 478	+7.94 +16.81 +111.88 +2.90 +30.57 +22.44 +46.81	3.50 2.21 1.95 1.75 1.76 1.95 1.95 1.95 2.51	12.27 10.66 14.17 20.46 13.52 16.00 9.87 10.24	721,13 1014,01 1017,70 985,42 1128,79 783,05 961,21 1009,97
Open Sett price Change High Low Bit. vol Open let. Onc 2899.0 2717.0 489.0 2717.0 2883.0 820 7385 Wer 2725.8 +59.6 0 1080 IM BLING STYLE PISE BURGTOP 100 DIQUEX OPTION (AEI) Scartt per index point 2808 2828 2880 2800 2806 2700 2780 2880	Hede Hedelers, Food Retailers, General Telecommunications Received, Park L	711.81 1007.26 1052.40 975.90 1114.72 771.27 911.23 901.68	+1.13 +1.87 +1.84 +0.44 +2.26 +1.08 +2.46	+7.94 +16.81 +110.88 +4.29 +36.90 +30.57 +22.44	3.50 2.24 1.95 1.25 1.76 3.45 1.56	12.27 10.89 14.17 20.46 12.52 16.00 9.87 18.24 2.38	721,13 1014,01 1017,70 985,42 1120,79 703,05 961,21
Open Set price Change High Low Bit. vol Open jet.	Letters & Tenner Hedden, Food Guidens, General Telecontractications Rosentes, Pate & Marie Support Services Transport	7(1,6) 1007.26 1052,60 975.30 1114.72 770.27 9(1,23 901.98	478 478 478 478 478 478 478	+7.94 +16.81 +111.88 +2.90 +30.57 +22.44 +46.81	3.50 2.21 1.95 1.75 1.76 1.95 1.95 1.95 2.51	12.27 10.66 14.17 20.46 13.52 16.00 9.87 10.24	721,13 1014,01 1017,70 985,42 1128,79 783,05 961,21 1009,97
Open Set price Change High Low Bit. vol Open int.	Lettury & Termin Media Autoria, Food Gladers, Food Gladers, Glacest Telecommunications Browning, Pals & Room, Support Services Transport Services Internision Trackmings HTTLETIES	711.81 1007.28 1052.40 975.90 1114.72 778.27 901.28 901.88 901.88	+1.13 +1.87 +1.87 +0.44 +2.28 +4.00 +2.44 +4.82 +1.25 +1.25	+7.94 +16.91 +110.99 +4.29 +34.90 +34.57 +22.44 +45.61 +17.10 +17.10	3.50) 2.20 1.95 2.25 1.76 3.46 1.95 2.51 0.40	12.27 10.85 14.17 20.46 13.52 16.00 9.87 18.24 2.28	721,13 1018,01 1067,70 985,62 1120,79 703,05 981,21 1009,97 902,80
Open Set price Change High Low Bit. vol Open jet.	Lettery & Tremer Medita Absolition, Food Respeitors, General Telecommercications Support Services Français Referendors Technology INTULTION Baccycolly	711.81 1007.28 1052.40 975.90 1114.72 779.27 901.23 901.61 901.61 901.61 107.51	+1.13 +1.87 +1.87 +0.44 +2.28 +4.00 +2.44 +4.82 +1.25 +1.25	+7.94 +16.91 +19.90 +36.90 +36.97 +22.44 +46.61 +17.10 +5.02	2.50 2.20 1.95 2.25 1.76 2.45 1.95 2.51 0.40 3.62	12.27 10.85 14.17 20.46 13.52 16.00 9.87 18.24 2.38 07.04	721,13 1018,01 1067,70 985,62 1128,79 703,05 981,21 1009,97 902,80 1882,17
Open Sett prica Change High Low Bit. vol Open init.	Letters & Tenner Media Abiodina, Pond Retailera, General Telecommunications Recommunications Recommunication	711.81 1007.26 1052.40 975.30 1114.72 779.27 901.23 901.68 900.55 1477.97 1107.51 1200.91	+1.13 +1.87 +1.84 +2.26 +4.06 +2.46 +4.82 +1.25 +1.25 +1.25 +2.04	+7.94 +36.91 +19.00 +36.90 +36.97 +22.44 +45.61 +11.10 +17.10 +6.02 +36.15	3.50 2.26 1.95 2.25 1.76 3.46 1.95 2.51 0.40 3.02	12.27 10.00 14.17 20.46 18.52 16.00 9.87 18.24 2.33 97.04 27.44 63.32	721,13 1014,01 1017,70 905,42 1120,79 703,05 901,21 1009,97 902,89 1902,17 1138,76 1332,19
Open Sett prica Change High Low Bit. vol Open init.	Letters & Tenner Media Antolina, Food Retailora, General Talactimentications Frommer, Pate & Manual Separat Services Transport Setoristics Trebesings WITLETING Beschools Bescho	711.81 1007.26 1052.40 975.50 1114.72 779.27 971.23 961.68 500.35 1477.97 1107.51 1209.91 1074.18	HLTS HLM +Q.M +Q.M +Q.M +Q.M +Q.M +Q.M +Q.M +Q.	+7.94 +16.91 +12.91 +36.90 +30.57 +22.44 +46.61 +11.10 +17.10 +50.2 +36.15 +33.25	3.50 2.26 1.36 1.25 1.76 1.46 1.56 1.56 0.40 3.82 1.00 1.55 4.24	12.27 10.00 14.17 20.46 13.52 16.00 9.87 10.34 2.33 07.04 27.04 93.32 38.72	721,13 1012,01 1067,70 985,62 1120,79 783,05 581,21 1000,97 902,00 1803,17 1136,26 1332,18 1119,36
Open Sett prica Change High Low Bit. vol Open init.	Letters & Tenner Media Abiodina, Pond Retailera, General Telecommunications Recommunications Recommunication	711.81 1007.26 1052.40 975.30 1114.72 779.27 901.23 901.68 900.55 1477.97 1107.51 1200.91	+1.13 +1.87 +1.84 +2.26 +4.06 +2.46 +4.82 +1.25 +1.25 +1.25 +2.04	+7.94 +36.91 +19.00 +36.90 +36.97 +22.44 +45.61 +11.10 +17.10 +6.02 +36.15	3.50 2.26 1.95 2.25 1.76 3.46 1.95 2.51 0.40 3.02	12.27 10.00 14.17 20.46 18.52 16.00 9.87 18.24 2.33 97.04 27.44 63.32	721,13 1014,01 1017,70 905,42 1120,79 703,05 901,21 1009,97 902,89 1902,17 1138,76 1332,19
Open Sett price Change High Low Bit. vol Open jet.	Letters & Tenner Media Anisotra, Food Retailora, General Telecommentacione Recommentacione Rec	711.81 1007.28 1052.40 975.30 1114.72 779.27 961.58 961.58 961.58 1077.97 1107.51 1209.91 1074.18	**************************************	+7.94 +16.00 +10.00 +36.90 +36.97 +26.64 +46.64 +11.10 +17.10 +6.02 +36.15 +36.25 +44.02	3.50 2.20 1.95 2.25 1.76 2.46 1.96 2.51 0.40 3.82 1.95 4.74 2.82	12.27 10.00 14.17 20.46 18.52 16.00 9.87 10.24 2.38 17.04 27.34 93.32 38.72	721,13 1012,01 1007,70 1007,70 905,62 1120,79 703,05 901,21 1009,97 902,80 1002,17 1138,76 1332,19 119,36
Open Sett price Change High Low Bit. vol Open jet.	Lettery & Termer Media Assisting, Food Outsides, George Tolacomercical case Recommiss, Pate & Termer Separat Services Internation Technology UTILITIES Bactricity One Distribution Wales Fishancials Sinche Fishancials	711.81 1007.26 1007.26 1007.80 975.90 975.90 971.27 971.27 971.27 971.27 1007.51 1007.51 1007.18 1251.91 1007.18	+1.13 +1.07 +1.08 +2.46 +2.46 +1.25 +1.25 +1.25 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.04 +2.05 +2.06	+7.94 +16.91 +12.91 +34.90 +34.90 +30.241 +46.64 +17.10 +17.10 +50.02 +30.15 +30.12 +44.62 +44.62 +44.62 +44.62	3.50 2.26 1.95 2.25 1.76 2.45 1.96 2.51 0.40 3.02 2.51 0.40 3.02 2.51 2.51 2.51 2.51 2.51 2.51 2.51 2.5	12.27 10.01 14.17 20.46 18.52 16.00 4.87 14.38 97.04 27.84 93.52 38.72	721,13 1014,01 1067,70 905,42 1120,79 703,02 1009,97 902,20 1902,17 1130,76 1302,19 1130,16
Open Sett prica Change High Low Bit. vol Open jet.	Letters & Tenner Media Medialia, Food Relation, General Telecommunications Federal Support Services Français Relationship Relationship Blacksty Ben Distribution Water FrankSigs Period Relationship Rel	711.81 1007.26 1052.40 975.90 1114.72 776.27 961.98 580.55 1477.97 1107.51 1200.91 1200.91 1201.91 1201.91 1201.91	**************************************	+7.94 +96.91 +10.93 +30.90 +30.57 +46.91 +17.10 +17.10 +50.15 +30.15 +40.01 +30.15 +40.01 +30.15 +40.01 +30.15 +40.01 +30.15 +40.01 +30.15 +40.01 +30.15 +40.01 +30.15 +40.01 +30.15 +40.01 +40	3.50 2.20 1.95 1.75 1.75 1.95 2.51 1.95 2.51 1.95 4.74 2.02 2.02 1.15 4.74	12.27 10.00 14.17 20.46 18.52 16.50 4.67 16.34 2.33 97.84 93.27 27.84 93.27 27.84 11.30 11.29	721,53 1010,70 965,42 1188,79 763,62 1009,97 862,50 1009,97 1138,75 1332,19 1138,75 1332,19 1119,25 1285,61
Open Sett price Change High Low Bit. vol Open jet.	Lettury & Treme Media Median, Food Globides, Googal Telecotropologicals Resemble, Pale & Heat, Supert Savies Traspert Internition Trebellogy HTTLETION Becklofy Gen Distribution Valor PleasiCAES Annie, Fedell Journey	711.81 1007.26 1007.26 1007.26 1007.26 1007.26 1014.72 1014.72 1007.51 1209.91 1071.18 1251.91 261.93 1271.94	+1.17 +1.44 +2.26 +2.46 +2.46 +1.25 +1.25 +2.36	+7.94 +86.91 +14.99 +36.92 +36.92 +46.94 +46.94 +17.10 +51.15 +51.25 +44.82 +43.12 +43.12 +43.12 +43.12 +43.12 +43.13	2.50 2.20 1.95 2.25 1.76 2.45 1.95 2.51 0.40 3.42 1.95 4.74 2.92 2.92 2.92 1.93 1.93 1.93 1.93 1.93	12.97 10.01 10.01 10.02 10.02 10.03 10.04 10.03 10.04 10.03 10.04 10.03 10.04 10.03	721,53 101407.70 905.42 1180,79 703.05 901.21 1000.97 902.09 1002.17 1138.75 1382.19 1119.36 1285.61
Open Set price Creange High Low Bit. vol Open jet.	Lettery & Termer Media Assisting, Food Outputers, George Telectromentications Expensive, Pate & Termer Expensive, Pate &	711.61 1002.26 975.90 1111.472 771.22 981.96 991.23 981.96 1007.51 1007.51 1007.18 1251.91 1007.18 1251.91 1007.18	11日 11日 11日 11日 12日 12 12 12 12 12 12 12 12	+7.94 +6.81 +10.91 +3.93 +3.93 +3.93 +2.84 +6.82 +77.10 +5.82 +4.82 +3.82 +4.8	2.50 2.20 1.55 2.25 1.76 2.51 0.40 2.51 0.40 3.82 2.51 4.74 2.62 2.57 1.73 1.73 2.27	12.97 10.00	721,133 10167,701 965,62 1198,777 965,62 961,231 1009,97 962,89 1882,107 1138,76 1332,19 11119,36 1285,61 813,83 1141,36 963,66
Open Sett price Change High Low Birt. vol Open jet.	Letters & Treme Media Autofin, Food Straiters, General Telecommunications Francis Trements Support Services Francis Support Services Francis Services Francis Services Francis	711.61 1002.40 975.90 1114.72 761.23 961.95 1477.97 1107.51 1209.91 1071.18 1251.91 989.83 1177.94 1177.94 989.83 972.80	**************************************	+7.94 +86.91 +14.95 +38.92 +38.92 +48.92 +77.10 +50.95 +50	2.50 2.20 1.25 2.25 1.76 2.45 2.51 0.40 3.82 1.85 2.51 0.40 3.82 1.85 1.85 2.51 1.85 2.51 1.85 2.51 1.85 2.51 1.75 2.51 1.75 2.51 1.75 2.51 1.75 2.51 1.75 2.51 1.75 2.51 1.75 2.51 1.75 2.51 1.75 2.51 2.51 2.51 2.51 2.51 2.51 2.51 2.5	12.27 10.08 14.17 20.46 14.57 14.30 27.84 93.32 33.72 27.52 14.30	721,53 10167,70 965,62 1190,79 965,62 1190,79 1000,79 1000,71
Open Sett price Change High Low Bit. vol Open jet.	Lettery & Termer Media Assisting, Food Outputers, George Telectromentications Expensive, Pate & Termer Expensive, Pate &	711.61 1002.26 975.90 1111.472 771.22 981.96 991.23 981.96 1007.51 1007.51 1007.18 1251.91 1007.18 1251.91 1007.18	11日 11日 11日 11日 12日 12 12 12 12 12 12 12 12	+7.94 +6.81 +10.91 +3.93 +3.93 +3.93 +2.84 +6.82 +77.10 +5.82 +4.82 +3.82 +4.8	2.50 2.20 1.55 2.25 1.76 2.51 0.40 2.51 0.40 3.82 2.51 4.74 2.62 2.57 1.73 1.73 2.27	12.97 10.00	721,133 10167,701 965,62 1198,777 965,62 961,231 1009,97 962,89 1882,107 1138,76 1332,19 11119,36 1285,61 813,83 1141,36 963,66
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Synthetic Euro against the dollar **EUROZONE CURRENCY CONVERGENCE** 7,09552 20,6553 1,2536 3,04001 0,402676 990,002 20,6255 1,12674 102,505 86,0722

INTERE	EST RA	TE :	SWA	PS							EUROZONE	COR	PORA	TE B	ONDS				
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1 year	3.47	3.50	3.52	3.86	0.00	0.00	5.67	5.10	6.36	0.38	NO	100	(Applica)	Bidala)ALCO	- Garl)es	Jub	122)
2 year	3.51	3.54	1.52	3.95	8.64	6.06	5.13	5.75	0.42	0.45	Rovernigo Pangible	invest.							
3 year	3.60			3.05	5.97	8.01	5.18	5.21	0.52	0.55	Belgium (Consisen (d)	03/08	6.750	MA	111:150	4.27	+0,00	-0 07	=0.1
4 year	3.73	2.76	3.74	3.75	5,92	5.96	100	5.26	0.83	0.65	France (Rep 00)	04/08	6.250	AAA	108.850	4.09	-002	-0.12	-0.0
5 year	3.86	3,91	3.89	3.95	5.83	5.87	5.27	5.30	0.76	0.78	inty (flap of)	05/08	0.000	M	105.450	4,29	-0.04	~0.15	+0.1
E year	4.05	4,96	4.04	4.06	5.77	\$.81	5.34	5.37	0.87	0.90	Portugal (Rep of)	08/08	5.375	AA-	107 A/90	4.40	-0.02	-0.12	+0.2
7 year	4.17	4.20	4/18	4.22	5,73	5.77	5.39	5.42	1,01	7.04	Horn links								
& year	4.29	4.32	4.30	4.34	5.89	5.78	5.46	8.49	1,14	1.17	Alaban Heal Trees Sire	02/05	4.575	AA.	103,893	3.87	-0.04	-0.05	+0.19
9 year	4.40	4.63	4.40	4.41	5.85	3	5.52	5.55	1,27	1.30	Gen Electric Cap Cro	10/04	2.500	AAA	107.990	3.84	+0.00	0.0	+0.13
10 year	4.48	4,51	4.48	4.史	5,63	5.87	8.55	6.39	1,40	1.45	Gest Kontrolibers.	04/06	5.256	N/A	106.316	4.34	-9.63	-0.18	+0.1
12 year	4.83	4,66	4.83	4.67	5.61	5.86	5.87	5.70	1.55	1.89	Cred Local de France	04/08	5.250	AA.	105,250	4.86	-0.03	-0.14	+0.30
15 year	4.82	4.85	4.82	4.86	5.58	5.64	5.75	5.79	1.91	1.85	Etw laters			•••					
26 year	5,05	5.06	3.00	5.57	5.56	5.82	5.86	5.89	2.10	215	Reyer Hypo & Wigh Elk	07/01	5.000	AA-	107.70	145	-0.11	+0.01	+0.17
25 year	\$.15	5.18	5.15	5.19	5.03	5,60	5.86	5.20	2.15	2.21	Cred Poncier France	07/07	B.376	- AN-	118.785	4.33	-0.00	-0.13	+0.5
30 year	5.23	5,20	5.23	5.27	3.6	5,64	5.85	5.80	2.25	2.30	Euro Inv Back	04/04	5.280	40	107.350	3.71	-0.08	-0.29	-0.5
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+0.13	B1.0+	+0.64	+0.10	FERROR THOMAS	M	11/06	6.250	FRE	+0.26	+0.24	+0.24
				Hallan	AA	07/07	5,625	DEM	+0.45	+5.45	+0.45
+0.22	+0,15	-0.40	-0.85	Ing Back MV	AA-	01/08	6.500	NLO	+0.33	-0.30	+0.42
-0.00	-0.06	-0.00	-0.18	Bayer Hypo W Sk	AA-	02/02	6.780	m.	+0.27	+0.26	+0.20
+0.03	4.16	-0.07	-0.18	Gred Foucier	Ä	02/03	7.250	DEM	+0.40	+0.49	+0.42
+0.00	+0.16	+0.21	+0.58	Thomson Branck int	Ä-	B3/04	Alte	FRE	+0.61	+0.50	+0.82
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Surveyor, Hampshire County Council); Professor Peter Hills OBE, (Dean of the Faculty of Engineering, Newcastle University); Dr Rod Kimber, (Research Director, TRF: Chairman of the Fellowship); Dr Murray Mackay OBE. (University of Birmingham); Professor Robert Mair, (Director Geotechnical Consulting Group and Professor of Geotechnical Engineering, Cambridge University); Professor Tony May, (Professor of Transport Engineering and Pro Vice-Chanceller, University of Leeds); Professor Mike McDonald, (Director, Department of Civil and Environmental Engineering, University of Southempton); Professor Chris Nash, (Professor of Transport Economics, Institute for Transport Studies, University of Leads); Dr Paul Nelson, (Chief Research Scientist, TRL); Professor They Ridley CBE, (Head, Department of Civil Engineering, Imperial College); Mr Terry Rochester CB, (Consultant, formerly Chief

(Chief Research Scientist, TRL).

The Royal Bank of Scotland Group plc

£200,000,000 FLOATING RATE NOTES 2005

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 20th November 1998 to 22nd February 1999, the Notes will bear a Rate of Interest of 7.0625% per annum. The amount of interest payable on 22nd February 1999 will be £90.94 per £5,000 Note and £909.42 per £50,000 Note.

AGENT BANK: Charterhouse Bank Limited



CHARTERHOUSE

ESPIRITO SANTO FINANCIAL GROUP S.A.

NOTICE OF MEETING

R.C. Luxembourg B 22 232

By this notice, the shareholders are convened to attend the

EXTRAORDINARY GENERAL SHAREROLDERS' MEETING which will be held on 3" December 1998 at 3.00 pm. (local time) at the Company's registered office.

 Proposal to confer upon the Board of Directors the right to
purchase in the market Espirito Santo Pinancial Group S.A.'s
t"the Company") own shares. The amount would be up to a
total of 4,790,855 shares (10% of the shares presently issued)
for a maximum period of eighteen months from the date of the
authorisation at the discretion of the Board of Directors; according to Luxenbourg law the Company is required to indicate a price range for such share purchases. The Board of Directors proposes that no purchases will be made above USD 20.50 per share. The Company believes that share purchases could be an effective use of capital subject to future market confidence.

To acknowledge the resignation of the Company's auditors, Price Waterhouse S.A., Luxembourg, and to appoint PricewaterhouseCoopers SARL, Luxembourg as the new auditors of the Company.

In accordance with Luxembourg law dated 4° December 1992, concerning important shareholdings in companies listed on the Luxembourg Stock Exchange, any shareholders who are the beneficial owners of more than 10 % of the shares of the Company directly or in the form of ADS's, are requested to disclose their

The Board of Directors

PUBLIC NOTICE

TRANSPORT RESEARCH FOUNDATION: Election of Fellows

The Transport Research Foundation is the owner of the UK's Transport Research Laboratory and has the support of eightythree sector members including Universities, Professional Institutions, Consultants, the Transport Supply Industry and Trade Associations. nfrastructure Owners and Service Providers and Operators.

Fellows of the Foundation are elected for distinction and worldstanding in transport and transport-related tescarch, and the ollowing have now been elected: Professor Richard Allsop OBE, nor of Transport Studies, University College, London); Mr David Baylins OBE, (Director of Planning, London Transport); Mr Garth Clarke, (Chief Executive, TRF: President of the Pellowship); Mr Alan Craig (Managing Director, Infrastructure Consultancy, Babtie Group); Dr John Denning (Head of Group Corporate Affairs and Communications, Tarmer plc); Mr John Ekins OBE, (County Highway Engineer, Highways Agency); Dr John Rolt, (Chief Research Scientist, TRL); Professor Martin Smith, (Professor of Highway Engineering, University of Birmingham); Dr John Terner,

Commerzbank Overseas Finance N.V. USD 200,000,000 Floating Rate Notes of 1993/2005

in accordance with the provisions of the Notes the following notice is hereby given:

November 23, 1998 to May 24, 1999 Interest Period: (182 days)

5 % p.a. USD 126.39 per USD 5,000 Note USD 2,527.78 per USD 100,000 Note Interest Rate:

COMMERZBANK \$2

Financial Times Surveys

Tuesday December 8

For further information please contact: Kirsty Saunders in London
Tel: +44 171 873 4823 Fax: +44 171 873 3204
email: kirsty.saunders@FT.com or Alec Kitroeff in Athens Tel: +30 1 671 3815 Fax: +30 1 674 9372 email: aleckit≑otenet.gr

> FINANCIAL TIMES No FT, no comment.

GOVERNMENT BONDS ity Arkady Ostrovsky and Edward Luce

US Treasuries hit a volatile groundless rumours, includpatch yesterday morning. falling more than a full point sin, also swaying sentiment. in thin trading volumes. Economists attributed the ended higher after finance fall to low pre-Thanksgiving volumes but also said there selves from earlier calls for were detectable movements towards a steepening of the yield curve.

By early afternoon, the sury had risen by about three basis points to 5.25 per cent while the yield on the 10-year had risen to 4.90 per man finance minister, cent. In contrast, the yield allayed some of those fears on the two-year Treasury benchmark had fallen while the five-year remained flat.

"The Treasury curve is definitely steepening but we terparts, also re-affirmed his leading European market to still see a positive outlook commitment to the mainte- see bond prices fall yester- to emerging market trading

INTERNATIONAL BONDS

Merck, the US pharma-

ceuticals company, yester-

day set a new record with

the lowest coupon ever

offered on a 30-year corpo-

rate bond issue. The \$500m

bond, lead-managed by

J.P. Morgan, had a coupon of

5.95 per cent - a spread of 75

basis points over the US

This was a significantly

lower coupon than the pre-

vious record, which was also

set by Merck, in 1996, when

it issued a 30-year bond with

BankAmerica Corp. the

group formed by the merger

of NationsBank and Bank of

America in September, made

its debut in the sterling mar-

a coupon of 6.30 per cent.

Treasury benchmark.

By Edward Luce

Jellinek, at Paribas.

However, economists warned against reading too much into the volatility with ing the death of Boris Yelt-In Europe, prices mostly ministers distanced themswift interest-cuts in Europe.

The markets had been unnerved by the strength and growing unity of calls Bank to cut interest rates as early as possible.

Oskar Lafontaine, the Ger- as 0.7 per cent. interest rates. Mr Lafon- kets' Stephen King . taine, along with his coun-

III US DOLLARS

D-MARK

E STUTLING

ELFICERA)

ket. The £250m issue was DM279m debut from Belgian

Merrilli Lynch & Co

SWISS FRANCS

Abbey Nati Trsy Serv

I GREEK DRACHMA

benchmark. It tightened by 2

Elsewhere, the suro-

Record low coupon from Merck

points over the 10-year glit which follows recent con-

convertible market contin- \$334m acquisition of PPG's

ued its revival with a European glass division.

New international bond issues

monetary union.

Euro-11 meeting was to over of 332,000 contracts on recognise the independence of the European Central Bank and rules concerning the stability and growth pact." said Charlie McCreevy, Irish finance min-

Economists were further cheered by economic data from two German states suggesting Germany's inflation rate could have further to yield on the 30-year US Tree- for the European Central fall. Phyllis Reed, economist at Barclays Capital, said inflation could drop as low

"There's plenty of room to cut rates but the simplest when he signalled ECB's thing is for politicians to independence in setting keep quiet," said HSBC Mar-

Germany was the only

vertibles by KBC, the Bel-

gian bank, and France Tele-

com, will refinance the

for Treasuries," said Luca nance of fiscal stability after day with the December German bund future settling The main thrust of the 6.07 lower at 113.68 on turn-

Eurez UK wilts ended higher with the December future on the 10-year gilt rising by 19 basis points to close at 116.10 in London.

Emerging markets continued to rally with J. P. Morgan's benchmark emerging market bond index dropping below a yield apread of 1,000 hasis points for the first time since the Russian domestic debt default in August.

Both Brazilian C Bonds and Russian IANa rose sharply early in the day before surrendering the gains to profit-taking in the afternoon.

Richard Gray, at Bank of America, said there was evidence of liquidity returning

Japanese consumer finance

house, is expected to stimu-

backed issues before the

year-end. The deal, led by DKBI, was the first Japanese

The success of last week's international ABS since

helps lift AIM fund

AIM Global Advisors, part of the Amvescap fund management group, said yesterday that global economic turmoil in the past few months had hemed its Kuronean money market funds increase 44 per cent in the past five months. Assets held in AIM's

global money market funds umped from \$450m to \$719m between February and the end of October. Most of the increase came during the summer as the Russian economic crisis and the debacle following the near-collapse of Long-Term Capital Management, the hedge fund, hit confidence in stock markets around the world.

AIM said that its funds which are triple-A rated by Standard & Poor's and Moody's, had benefited from the downgrading of several large European banks in the quarter as well as the past quarter as wen as une flight to a cash "safe haven".

A company spokesman said: "Money market funds have increased along with the perception of risk in the more traditional forms of holding cash."

Rabobank, the Dutch group, is the sole remaining private sector bank in Europe to be triple-A rated

by credit agencies Money market funds are pen-ended investment comanies which invest in a range of cash instruments. They are more popular in the US, where more than \$1,000bn is held in money market funds, than in Europe. However, AIM's asset growth is largely based on demand from European institutions investors, AIM is set to launch a euro-denomi-

Rise in US Treasury yields | Economic turmoil | Philippines considers sovereign bond issue

By Tony Tassell is Mania

Asian countries are preparing to test investor appetite for sovereign bonds from emerging markets. After the success of Argen-

tina's recent \$1bn offering, Chipa and the Philippines are considering taking advantage of a sharp recovery in Asian secondary debt markets over recent months. "After experiencing their

worst sell-off, Asian bond new lows. prices have staged a sharp recovery," said Chris Franondary markets, the offercis, managing director, fixed ings are back on the agenda, income research at Merrill according to Edgardo Esper-Lynch "Volumes (on the itu, the Philippines' finance econdary market] remain thin; however, and the appesecretary. tite for new issues remains sovereign bonds had been to be tested."

one of the leaders in the China is thought to be conrecovery in Asian credit sidering reviving its postponed \$1bn yankee offering spread on the benchmark 2008 10-year Philippine bond as early as next week (to be lead-managed by Goldman Sachs and Credit Suisse First Boston) while the Phi-4 to current levels of around roadshows next month for an offer early in 1999. Thailand is also said to be considering a sovereign issue.

400 points. Apart from the eurobond and yankee bond issues, the around the world.

The Philippines, one of the Philippines is lobbying Japan to subscribe to a further \$500m Samural bond countries less affected by the Asian economic crisis over offering as part of that counthe past 18 months, may be try's \$30bn stimulus package set to raise up to \$1.5bn in for five Asian crisis-affected three separate issues over countries - Malaysia, Thaithe next few months. The country had earlier land, Indonesia, South Korea deferred a \$500m eurobond and the Philippines.

Under the so-called Mivaissue and a \$500m yankee zawa initiative, Japan is bond offering early this year planning to inject the \$30th as increasing risk aversion into the reconstruction and by international investors recovery of the five econdpushed Asian bond prices to mies. Mr Esperitu said Japanese officials were holding Now with sovereign bond talks in Manila this week on prices recovering in the seca \$6bn "wish-list" of projects and programmes for which the Philippines is seeking assistance

Bank mera

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BOWNER CHUSS ATTES

The Philippines' claims i support from the Miyazard initiative may, however, be limited by the fact that if remains in relatively better shape than some of its troumarket, with the yield

On the Samurai bond bouncing back from a low of offering proposed by the Philippines, Mr Esperitu said Japan would take up 50 per cent of the issue while the remainder would be offered: to investment bankers

S&P to expand Asia analysis

Mr Francis said Philippine

about 960 basis points over

US Treasuries on September

Standard & Poor's, the international credit rating gency, is to expand its Asia-Pacific coverage by setting up a dedicated team of sovereign credit analysts based in Singanore.

S&P's sovereign analysis of Asian emerging markets has been carried out in London and New York and the expansion is seen as a response to the Asia crisis.

of S&P in London. S&P and its main rivals,

their dramatic response to it, which many observers said exacerbated the situation.

"This is part of a long-standing practice of moving analysts into the region but the Asia crisis urgency to do something that was going to happen in any case," said David Beers

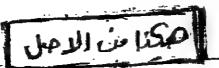
S&P, which rates 78 sovereigns, has corporate and

ised for failing to foresee the three sovereign analysts, is Asian financial crisis and the first of its kind by any of the three big agencies. Moody's, the biggest, rate

100 sovereigns from New York. Fitch IBCA, the third largest, rates 60 sovereigns but does not have Asia analysts in the region.

Fitch IBCA has expanded over the past 18 months, concurrent with the Asian crisis, with more ratings of banks, corporates and sovereigns. In August, Moody's formed a joint venture with

priced to yield a relatively glass company Glaverbel. \$250m is generous spread of 125 basis Proceeds from the issue, ing, an	issue by Oscar fund- Japan Leasing went into m SPV for Orico, the receivership in September.	nated money market portfolio in January. Moody's Investors Service and Fitch IBCA, were critic-	bank analysis in Singapore Korea Investors Service, a but the expansion, with domestic agency.
WORLD BOND PRICES			
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Denomerk 17:00 9.000 108.3800 9.82 HBJM -0.07 HBJM -0.84 108 11:07 7.000 118.3800 4.47 -0.04 -0.19 -0.23 -1.8 110 HBJM -0.00 110.00 10.00		MYTM 0025 7,00 Å+ NZELERT 6.81 −0.05 −0.05 +1.60 CME 05408 8.00 986 114.0135 4.03 −0.01 −0.01 +1.22	CHI FINCE: 02/04 0.125 A 122.0200 4.21 -0.00 -0.10 +0.46 3CF FMI 12/01 3.617 AA- 98.8660 3.40 -0.05 -0.05 -0.11
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Bank merger talk pushes up dollar

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A wave of equity market exuberance prompted by merger speculation pushed the dollar higher against the D-Mark yesterday, with sterling valiantly trying to keep

Most of the limelight was taken by firming news of a planned takeover of US finance house Bankers' Trust by Deutsche Bank.

The possibility of multierwise thin and uninspired markets helped the dollar at one stage to a two-month high against the D-Mark. The dollar also received

some support from renewed concern about a US attack implications for the foreign on Iraq and an apparent case of pneumonia suffered by Boris Yeltsin, the Russian

The US currency finished in London trading yesterday at DM1.704, higher than its

close of DM1.689 at the end of last week. With Japanese markets closed for a public holiday there was little action in dollar-yen, the pair finishing little changed at

Although sterling also rose against the DMark, finishing higher at DM2.817, it could not quite keep pace with the surging dollar, against which it finished at \$1.653, down from \$1.657 on Friday.

porting the dollar yesterday, takeover speculation attracted most attention in

The myriad of ways that international mergers can be financed means such bids do

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But the news helped a general wave of equity market itself could remove the need for further interest rate carts

by the Federal Reserve and The dollar-D-Mark rate correlates well with the performance of US equities. Paul Meggyesi, currency

said that while the merger talk involving his employer had played a part in the there were plenty of other reasons to take a bullish view of the US currency.

The flurry of activity in the dollar has not come out of the blue," said Mr Meggyesi. "Better news for the and a return of risk appetite has made it easier for the US to fund its current account

in fact more equity pur-chase-related flows had gone

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Against the D-Mark (OM per S)

■ Returning investor confi-

way. "For obvious reasons, the financial services sector is something of an excep-

He thought that the rise in sterling was "a bit surpris-ing" and rather harder to justify in terms of fundaper cent of the rise of ster-ling against the D-Mark is

just coat-tailing the dollar-D- dard Chartered in London. Mark rise," said Mr Meg-

in contrast to the US, the UK economy was "slowing dramatically" and it would be hard to see sustained gains for sterling against the

dence also belped emerging market currencies yesterday. three senior Brazilian politicians accused of corruption.

"With Japan on holiday, the market was looking for something to give it direc-tion, and it found the rise in the Dow," said Tim Fox,

| Section | Sect

"The markets want to hear good news about emerging markets, and so they will give it credit," said Mr Fox.

The Korean won had a particularly good day, breaking through the SKr1250 level to close 1.5 per cent up against the dollar.

"Asia is beginning to settle down," said Richard Gray. emerging markets analyst at Bank of America in London "The effect of past devalu-

ation is benefitting exports and this explains why currencies like the won are motoring upwards,"

bond offerings last week including both eastern Euro pean and Latin American ssues, had proved that "the to take new volume.

"The Brazil news was unfortunate but came against an overwhelming backdrop of good news," he

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Patures & Options, round-upts

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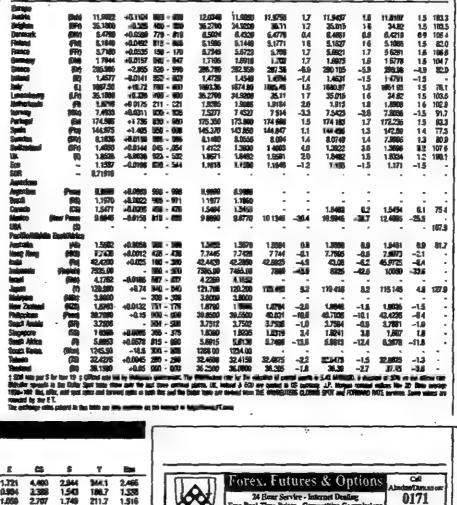
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ALL FUTURES, OPTIONS & MARGINED FOREX

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BERKELEY FUTURES LIMITED 38 DOVER STREET, LONDON WIX SRB TEL: 0171 529 1133 FAX: 0171 495 0072

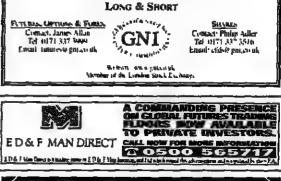




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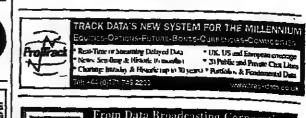


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Skorpion to be biggest African mine

ing Correspondent

for development of the Skorpion zinc mining complex in Namibia, destined to be the biggest zinc producer in Africa and one of the top 10 by output in the world.

Skorpion's annual output of 150,000 tonnes of refined zine should also add about 5 per cent to Namibia's gross domestic product, according to a feasibility study pubished yesterday.

Shares in Reunion Mining. the London listed company that is earning a 60 per cent share of the project, jumped 36p after details of the study by Bateman Minerals and audited by Steffen Robertson Kirsten - were released.

They showed that, according to the Brook Hunt consultancy, the Skorpion integrated mine and refinery should be the lowest-cost producer in the world, with cash operating costs of 23 cents a pound (\$507 a tonne) compared with an industry average of 40 cents. Capital costs are projected at \$279m and total costs, including financing charges, at \$325m.

Reunion was founded in 1989 by geologists, Andrew Woollett, 40, chairman, and his partner Nick Graham, 47, managing director.

Skorpion, situated inside the diamond area known as the "forbidden zone" of Namibia's Skeleton Coast, was discovered in 1976 by a unit of Anglo American Corporation of South Africa.

Angle completed drilling for the project. and metallurgical test work for several years but falled to release the zinc from the ore. However, after it any systematic exploration learned of Reunion's success In treating similar ore at the been done so far.

COMMODITIES PRICES

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ENERGY

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THE REAL PROPERTY.



Sanyati copper project in Zimbabwe. Anglo offered a deal. Reunion could earn 60 per cent of the project by spending \$1m and commit ting to develop the mine.

Tecnicas Reunidas of Spain. which has 25 years experience of zinc solvent extraction, and Union Minièere of Belgium, the world's biggest supplier of automated zinc tank-houses, to perfect the zinc extraction process. Mr Woollett said yester-

"The exceptional profitability of the Skoroion proj ect greatly increases the means by which we may raise, with the minimum of dilution to shareholders, our share of the development costs. Options include the introduction of a strategic corporate partner, the sale of a small interest in the project or an off-take agreement with a potential consumer." Skorpion negotiated a low

alty (1.2 per cent) package At present Skorpion has an expected life of 14 years but Mr Woollett said hardly of the surrounding area had

tax (12½ per cent) and roy

European potato prices rise sharply

Potato prices have risen in the UK 13,000 hectares of sharply in Europe as heavy rain in producing regions has hit supplies from key regions in the UK, the

Netherlands and Germany. UK farm prices for potatoes are around twice those at this time last year, and potato futures on the London International Financial Futures and Options Exchange have more than doubled since late October.

potatoes are still in the ground. Normally they'd have been delivered by now," said the British Potato

Council's Rob Burrows. "The spread between exfarm prices has widened because of concerns about quality, and prices now vary from £60 to £250 a tonne." According to BPC figures, the average weekly price of The wet weather is affecting potatoes in mid-November supplies and squeezing our

have made the harvest late. pared with £67.25 at the same time last year.

Liffe's March potato contract finished at £208 a tonne ucts for supermarkets. last week, against £80 a month ago and about £98 at this time last year.

The premium for good quality potatoes is also being felt by potato products manufacturers and retailers. "Higher farm prices are rain, and we're being forced

tures own-label potato prod-McCain Foods, the brandname frozen foods producer. also said it expected its margins to be hit by the higher

Grantham, which manufac-

cost of raw materials.

"The whole market has been affected by the heavy having a big impact on us. to pay more for quality." J. Sainsbury, the UK supermarket chain, said yester-

"Poor weather conditions was £122.51 a tonne, com- margins," said Geoff Calder, day. "We're now looking to managing director of PAS source potatoes from other areas such as Cyprus."

On the futures market, analysts said the delay in the potato harvest and the lower yields would continue to keep prices high.

The rising futures price is depicting concerns about supplies during the next stx months," Liffe said. "Contract volumes have also risen as producers and wholesalers look for ways to offset their risks."

Oil falls ahead of Opec meeting MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Paul Solman

Oil prices fell ahead of Wednesday's meeting of the Organisation of Petroleum Exporting Countries.

Brent Blend for January delivery was quoted at \$11.44 a barrel in late trading on London's International Petroleum Exchange, down 24 cents on Friday's close. The market consensus is

that Opec is unlikely to cutoutput further, and will instead focus on tighter compliance with existing cuts, although some producers have been lobbying for additional action to lift prices.

Jumps in London Metal Exchange aluminium and copper stocks put downward pressure on prices. Macquarie Equities suggested the 5,250 tonnes rise in copper stocks was part of up to 50,000 tonnes of Chilean metal expected to arrive in LME warehouses soon.

The increase of 12,600 tonnes in aluminium stocks resulted from present market tightness that had narrowed the premium between spot and three-month prices and made financing deals of the exchange unprofitable.

"Further large deliveries into LME stocks are likely as other deals came to an end. Macquarie suggested.

The International Confederation of European Beet Growers said it would ask growers to cut production to reduce the surplus in world sugar stocks. It lowered its European Union sugar export target to 4m tonnes in 1999/2000, compared with 5m tonnes in 1998/99.

White sugar futures remained weak on the London International Financial Futures and Options Exchange. The March contract was \$244.50 a tonne in late trading, against Friday's close of \$247.20.

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Greek pistachio cultivators look to the state for help

With demand far outstripping supply, long-term organisation is needed to help fulfil the crop's potential, writes Kerin Hope

Take a trip to the island of Aegina and you can buy local pistachio nuts on every street corner. But only a fraction of Greece's pistachio production travels farther afield than Athens. Aegina, Greece's best-

known pistachio-growing centre, produces about 1,200 onnes a vear. Some 50 tonnes are packaged for sale in duty-free shops at Greece's international airports. Most of the remainder is sold in bulk to wholesalers from the capital.

Pistachio production in Greece has increased from 6.500 tonnes in 1994 to about 8,000 tonnes this year. The Aegina varlety has been transplanted to the Attica region around Athens and to Phthiotida in central Greece. They are also grown on the ionian island of Lefkada and the Halkidiki peninsula in northern Greece but output cannot meet demand.

Bigger disposable incomes have whetted the Greeks' appetite for pistachios, considered a luxury snack until chains have started to sell pistachios imported from California and Iran, the

"There's a much bigger potential for pistachio cultivation in Greece than has been realised. But it has to be organised on a long-term basis," says Anna Chitzanidis, whose grandfather introduced pistachio cultivation to Aegina when he brought trees from Iran at the end of

the 19th century. Greece has about 50,000 stremmata (12,500 acres) of pistachio orchards. Yields range between 150kg and produces a commercial crop in alternate years.

However, new growers are discouraged by the time it takes for a pistachio tree to produce. It takes seven years before nuts can be harvested and in some areas trees only come into full production after 12-15 years. Pistachios are prone to diseases and careful cultivation is needed to ensure a high percentage of nuts can be easily opened. On Aegina, where the average orchard covers 10-20 stremmata, a sharp rise in

improving their holdings. The premium paid by wholesalers for pistachies from Aegina, which pushed

costs has made growers

reluctant to invest in

to Dr1,600 a kg this year, is not enough to offset the rise, according to growers. "Until about 15 years ago, cash crop that provided use-

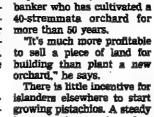
the floor price for producers

ful income. Now small grow-ers are barely able to cover their costs," says Costas of the growers' co-operative. Water is scarce and labour costs have soared. Nuts are still picked by hand before being mechanically dried

and packed. Pistachio growing on Aegina also faces competition from tourism and a services sector that caters for an increasing number of residents commuting to Athens. Many orchard-owners have become weekend farmers.

ar from receiving incen- tives for increasing cultivation on Aegina, growers say they are penalised. Under a programme to reduce tax evasion, the island's pistachio orchards are regarded as indicators of specific levels of income

"Pistachio cultivation is so much part of the island's tradition people don't think of uprooting their orchards.



fragmented and you only

make money if you do all the

work yourself," says Costas

Papaefstratiou, a retired

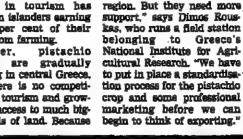
increase in tourism has resulted in islanders earning only 25 per cent of their income from farming. However, pistachio orchards are gradually expanding in central Greece. where there is no competi-

MEAT AND LIVESTOCK

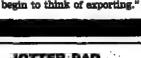
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61.325 -0.375 61.900 61.125 6,230 30,656 61.900 -0.575 62,125 61.450 4,970 36,430 63,530 -0.676 64,230 63,400 1,863 21,152

tion from tourism and growers have access to much bigger percels of land. Because



Rising incomes have whetted Greek appetites for pistachios



pistachio cultivation was

included in a three-year

European Union programme,

funding became available for

Growers in the Phthiotida

region have cut costs by

using mechanical pickers

and have ample water. Qual-

ity has improved and most

can produce crops with only

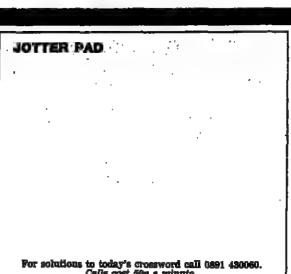
group of professional pista-

chio producers in this

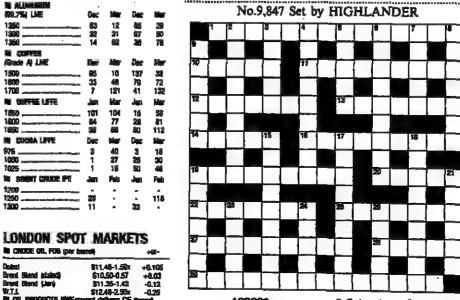
We're starting to see

4-5 per cent closed nuts.

new growers.



Dec 28.000 -1.925 20.600 27.925 8.989 13,921 Pub 34,700 -1.980 35,000 24.850 4,025 15,288 Agr 38.575 -1.925 9.900 38.500 2.850 4,025 6,373 Agr 38.575 -1.925 9.900 38.500 2.850 6,373 3,922 Agr 38.050 -1.925 91,750 50.575 380 1,818 Ang 52.075 -1.925 93,000 51,750 384 2,005 Total 40,680 -2400 42,650 40,460 1,033 40,525 -2,550 42,700 40,500 96 42,150 -2,450 44,400 42,450 39 44,300 -1,235 45,200 44,150 12 LONDON TRADED OPTIONS CROSSWORD No.9,847 Set by HIGHLANDER



1 Judy's partner to win? You've hit on outstanding feature (5,2,3,4)

10 Vehicle's official OK to be driven on road initially (5)

Triple time required on freehold disposition (9)

Shakespeare's king backing one resident in Jerusalem? (7) 13 No lid? Has let off head of

thing everybody wants (5)
16 One from the far north led
Racine astray (9) relating to prominent organ (5) 22 Beginning with smell of sodium? (7)

14 Hang on - it's part of some-

steam (7)

28 Mark 20 (5) DOWN church, it's said (9)

(2.4.3)
Carried by lovelorn to
Catholic Church finally (5)
Coach watches at the start (9) 7 Old area with a seaside atmosphere (5)

8 Stop employer becoming recipient of goods sold (3.4) 9 Mischievous Irish member 16 One from the far north led
Racine astray (9)

19 Big animal stars (5,4)
20 Space people take line
relating to prominent member recruitment (9) 18 Othelio's better half – see Odd Man Out (9) 19 Information to summon up

25 Drunk on not as much (7) relating to DNA units (7)
27 Canine has to suffer. From
28 First inside was first to be recorded (6)
23 Shortly to embrace wife and become ecstatic (5)

damental principles of gov- 24 Understood Bill to be holding bird? Quite the reverse 2 Complete one before 26 Blast off originally with vigorous enthusiasm (5)

world's largest producers. GRAINS AND OIL SEEDS Precious Metals continued M BOLD COMEX (100 Tray at; \$780y at)

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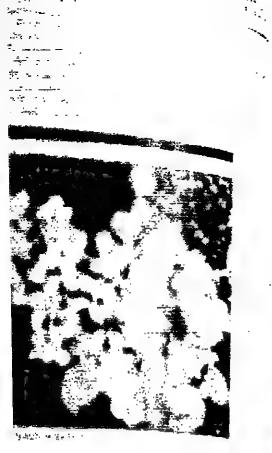
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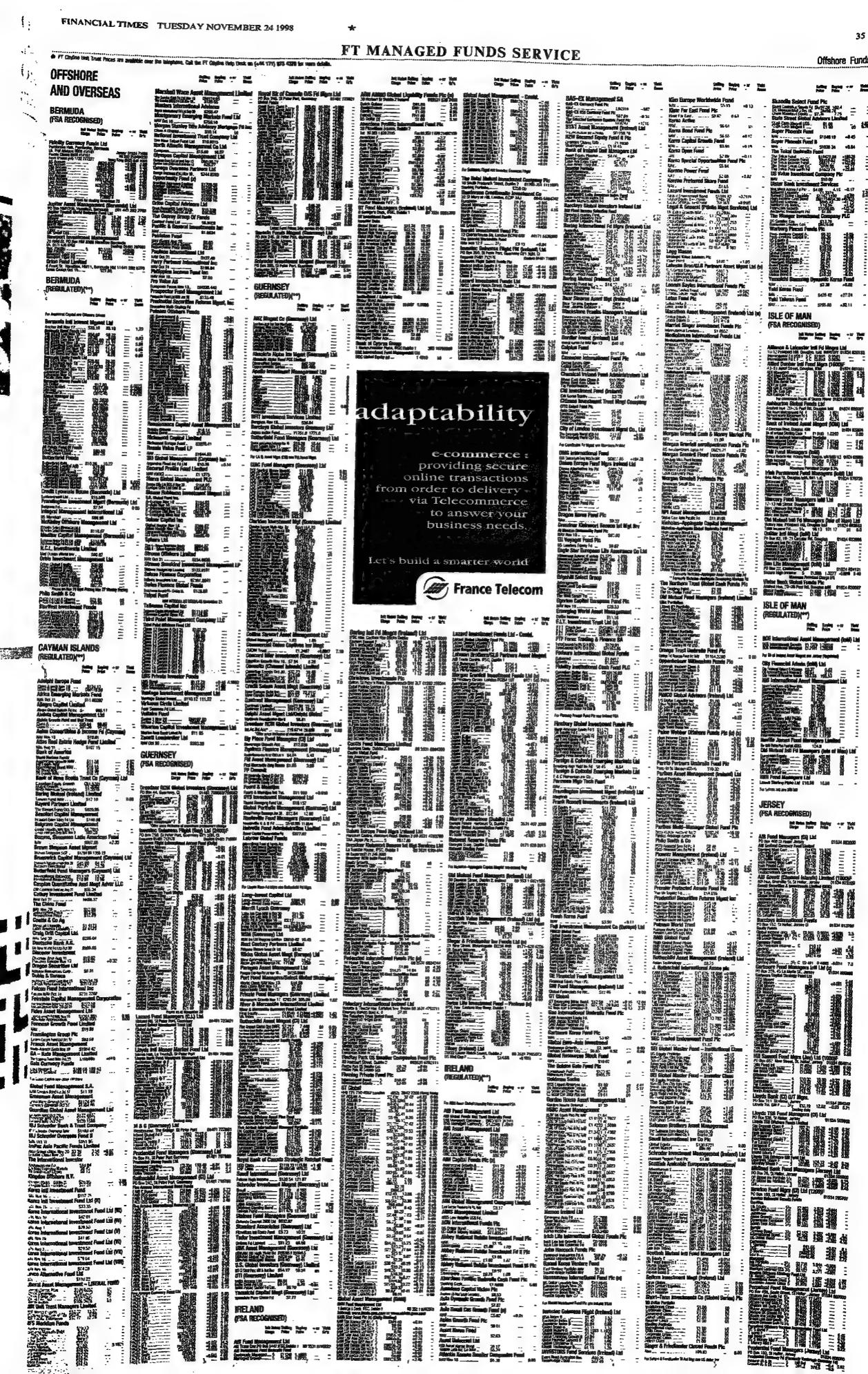
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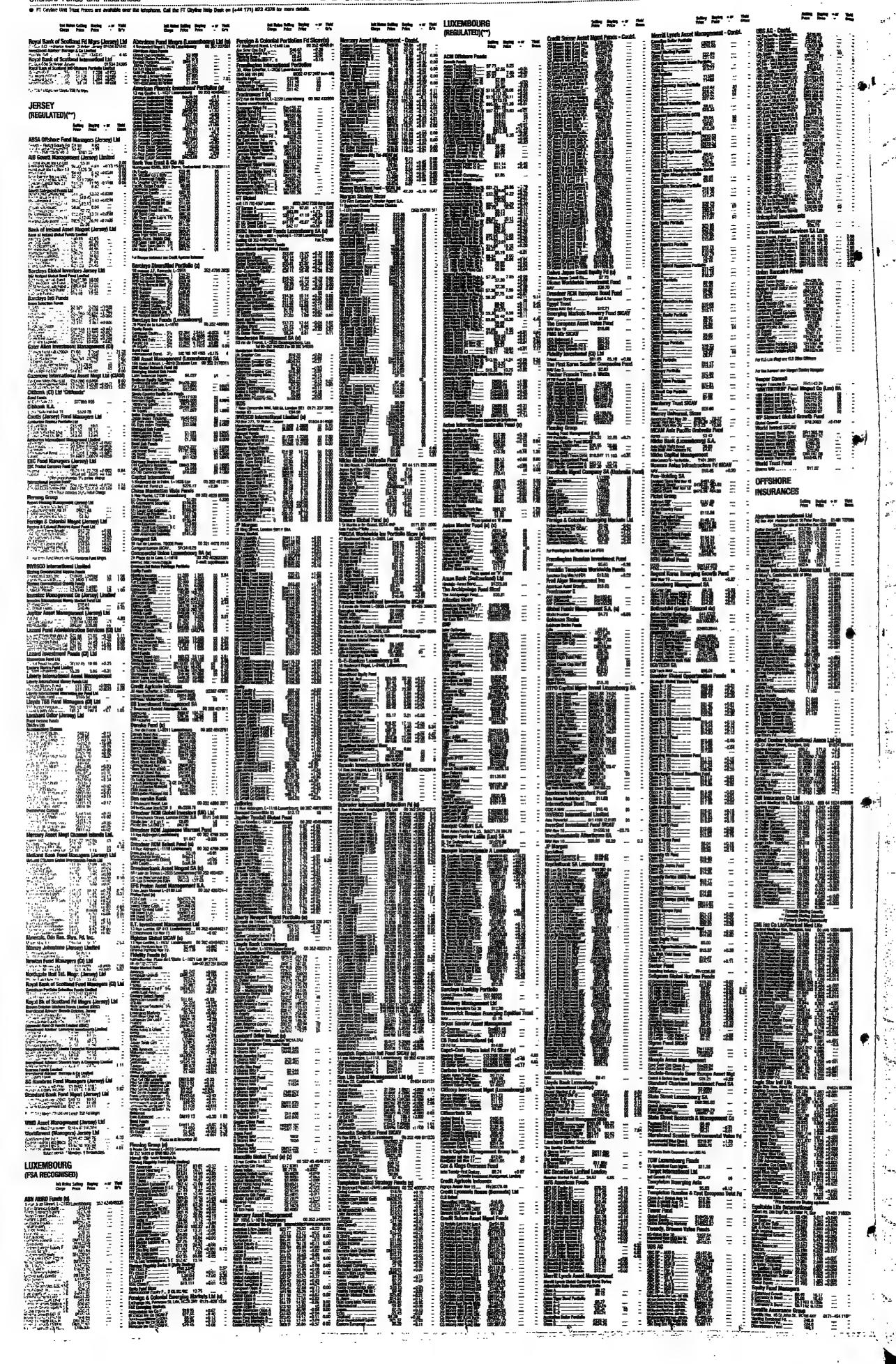
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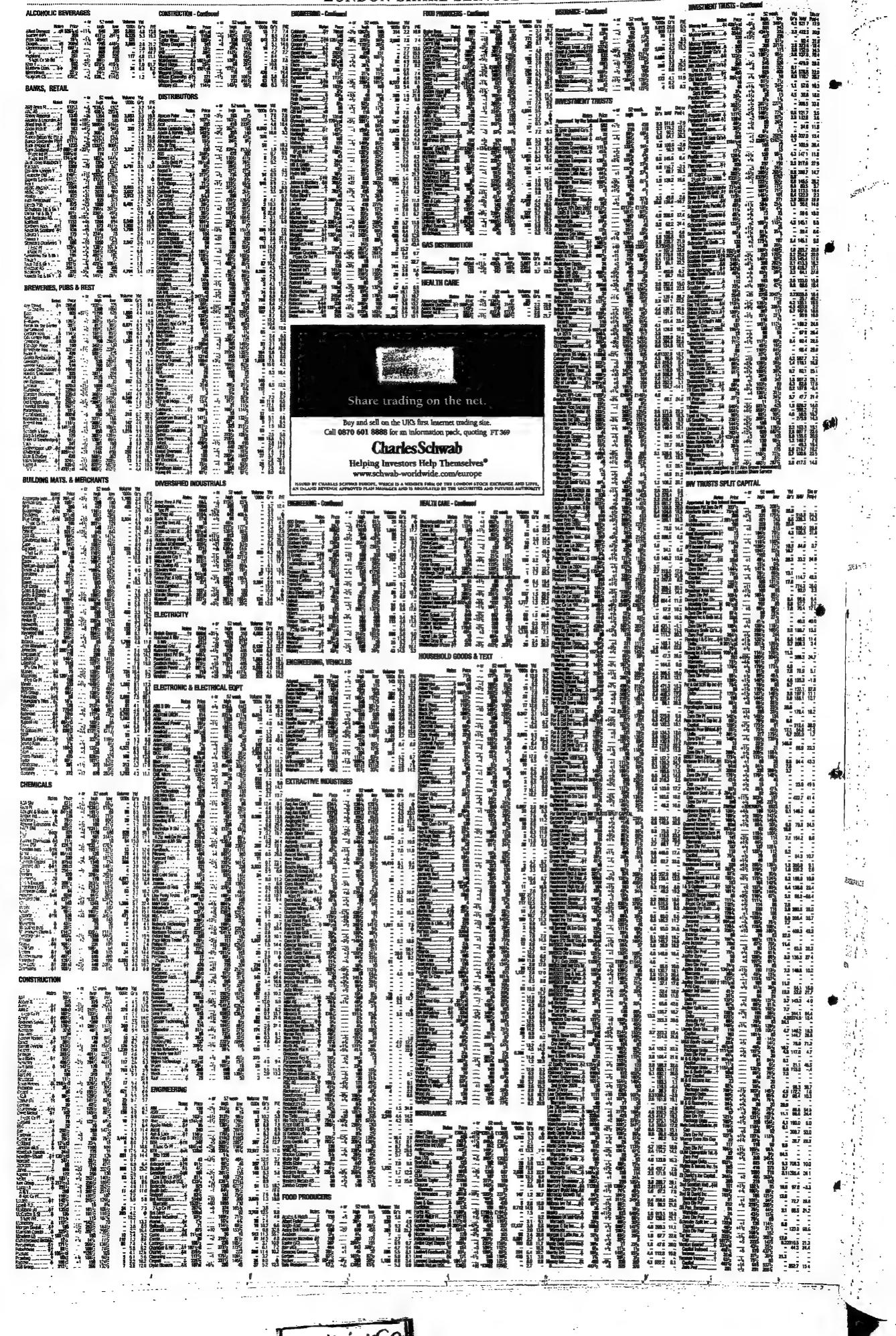


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FINANCIAL TIMES TUESDAY NOVEMBER 24 1998

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Bid feast launches Footsie on 130-point rise

MARKET REPORT By Philip Coggan, Markets Editor

stock market enjoys more than a juicy bid story and

Royal Exchange, long considering a number of offers but two of the marunveiled a link-up.

hid talk outside the UK as well, with Deutsche Bank of enjoyed its third successive chips, the first port of call Germany linking up with Bankers Trust of the US and two US high-tech companies. America Online and Netscape in talks.

All this gave the usual lift to equity markets, as not only did shares in the com-Not only did Guardian panies concerned forge ahead but traders searched regarded as a takeover tar- around for the next potential get, announce that it was raft of targets. The only bid disappointment came when Bertelsmann, the German ket's biggest engineering media group, dismissed talk companies. BTR and Siebe, of a move for EMI - the latter had been driven up by speculation on Friday.

session of three-digit gains, closing up 130.9 at 5,848.4. BTR, GRE and Siebe were the three best performers in the blue-chip index.

The UK market's strength was broadly in line with other European markets, with the Dax in Frankfurt up 2.3 per cent and the Swiss market 2.8 per cent. Wall market in the last few weeks Street was also supportive. with the Dow Jones Industrial Average up more than 80 points, and within 100 points of its all-time closing no mood to take notice. Foothigh, by the time London

Once again, the UK blue recorded on October 5, with ise the relentless rally in the the help of rate cuts in both for institutions trying to get the US and UK. Bob Semple, the BT Alex money into the market, performed better than the

medium or smaller stocks. The FTSE 250 index rose 58.2 to 4,901.2 while the FTSE SmallCap managed a rise of fust 6.7 to 2.060.4 The bad corporate profit news that has dogged the was again evident, in the shape of warnings from Boosey & Hawkes and Servo-

Brown strategist, points out together and the possibility that bids have been a source of support for the UK market throughout the year with £23bn of cash-funded deals announced by the end of September. But he adds that

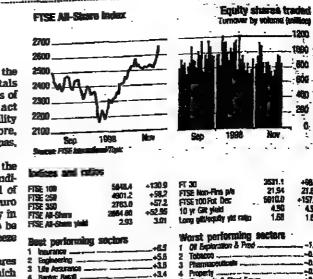
"what worries me is that everyone has become very sanguine at a time when the corporate earnings news for the next few months will not

ton, Richard Kersley said: "It

market on fundamentals alone. The tentative signs of Japan getting its act of a UK rate cut before, rather than after, Christmas, hardly seem enough.

The suspicion is that the expected thin trading conditions in December ahead of the introduction of the curo are concentrating activity in November. This seems to be intensifying a stock squeeze within the market."

Volume was 843.4m shares by the 6pm count, of which 45 per cent was in non-Foot-



BTR up on Siebe merger

COMPANIES REPORT By Martin Brice and Joel Kibazo

The merger with Siebe brought some relief to long-suffering BTR investors us shares in both companies raced ahead after the announcement, although some analysts remained bearish on the outlook for the combined group.

Volume in the two accounted for almost 13 per cent of total market turnover. The real action was it BTR shares, which achieved the best performance in the Footsie as they gained 40 per cent or 38 to 133p in remarkable volume of 72m. Earlier this year they stood at 215p

scramble for BTR stock was powered by a hope that the move by Siebe could trigger a bid from another company, KKR of the US.

At last night's close, BTR shares stood at a slight premium to the 129 at which the Siebe offer valued them Siebe saw 35m traded, and

Many analysts took a very favourable view of the deal. Paul Compton at Merrill Lynch said Siebe had struck a good deal because it had bought BTR for a good price,

with no less than seven leadsavings to be made and logic in combining BTR's components business with Siehe's software expertise. However, not all took a positive view. One analyst

said that although the new BTR Siebe would probably outperform its markets. investors may not want to be all. Another said: "The fact is, they are only merging because they are in deep trouble. You could argue they were overvalued before this deal, and they are even more overvalued now." Another suggested that

ing broking houses linked to deal, fund managers were being presented with a unanimity of favourable opinion. However, many fund managers would seek the stock because the new company would have an £8bn market capitalisation and constitute 1 per cent of the market.

Bid speculation swept through the market as dealers tried to unearth the next takeover target in the wake of the merger announcement by BTR and Siebe, and confirmation by Guardian Royal Exchange that it is looking at options which

FT 30	NDEX							
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PVE radio net	22.48	22.04	21.02	21,10	21.16	20.57	ZL48	15.80
ME radio nii	22.39	21.95	21,53	21.01	21.07	20.29	25,19	15,71
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Sheres tracked (mit	-	915.1	561.3	782.7	816.9	785.1
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Total turnover (204)	-	4168.0	3052.5	3385.2	3711.5	
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(Excluding Intro-market and pay	THE REPORT	tet Inisate	Creek lumon	er, "UK gray !	the state	‡ 16 pa



Retail group Sears was close to the top of several

mex but investors were in

sie has now risen around

1,200 points from the low

Best and worst performing FTSE sectors

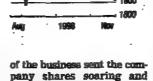
lists of companies expected to fall prey to a bidder. Last month the compar postponed the demerger of its Freemans mail order business, reported disappointing interim profits and ignalled that trading prob-

ems would defer recovery in the home shopping division. Although recent talk that the group had received a takeover approach was disists, the return of bid rumours yesterday saw the

theres advance 12 to 227%n. However analyst said: 'Anyone looking at a bid for Sears will have had to consider what to do with the Freemans business before making a move. That won't be easy in the current eco-

Racal Electronics was another mentioned as possihie takeover candidates. The shares rose 21 to 325p on the speculation. Confirmation by Guardian

Royal Exchange that it is in talks with several parties over the sale of all or parts



pany shares soaring and npted a wave of buying in other leading insurance

offer for one of the market's long-running bid targets would have to be pitched around the 400p-a-share mark. France's Axa group make an offer for the composite insurer. Shares in the group

jumped 42% or nearly 14 per cent to 350%p, making it one of the best performers in the FTSE 100. Royal & Sun Alliance

gained 28% to 523p while in the life sector, Legal & Genand Norwich Union hardened 18% to 460p. Confirmation yesterday by Deutsche Bank, Germany's

largest banking group, that talks to acquire Bankers Trust of the US in a \$9.2bn deal were at an advanced stage helped boost benking stocks across Europe. In London, dealers and

investors were busy trying to unearth the next bid target in the sector as talk of consolidation returned. Royal Bank of Scotland was among the best perform-

ers in the sector, the shares appreciating 48 to 938p. SG Securities, which recently turned neutral on the sector. continues to favour the lying business continuing to said to have hurt sentiment.

show "improving standards of profitability".

The broker also favours National Westminster which gained 48 to £11.53 and Bardemerger plans at present.

ment following a weekend press report which said Barclays was considering the demerger of its retail and corporate banking busies to reflect fundamen tal changes going on in the financial services industry. The stock moved sharply ahead at the start of trading

tum after the denial but still finished 79 up at £13.99. Friday's strong advance in EMI Group proved to be a temporary respite as the

shares again tumbled against a firm market trend. Rumours suggesting News Corp was lining up a bid for the UK music publisher that many regard as ripe for a takeover, made it the best

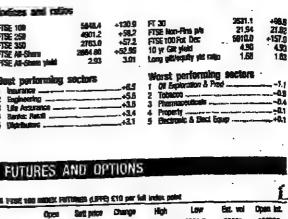
performing stock at the end of last week. The weekend brought press reports suggesting German media giant Bertelsmann was considering a merger or buying a stake in EMI However Bertelsmann yesterday denied it was shout to make such a move although RMI confirmed it had held talks with the German group about a month ago to discuss opportunities for co-operation. EMI said no

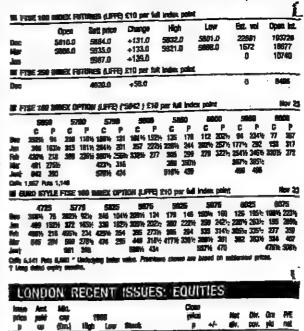
proposal has been made by

sither company to the other

and it also said no talks have

heen held with News Corp. With investors bracins themselves for a grim set of interim figures today following September's profits dered some of Friday's gains to close 27 off at 365p, the worst FTSE 100 performer. Turnover of 18m made Enterprise Oil the busiest stock believing the bank's stock in the FTSE 250. The final figures early next shares fell 10 to 360p, with month will show the under- the softening in the oil price





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STOCK MARKETS

Merger mania fires bank shares higher

WORLD OVERVIEW

Mega-merger mania gripped equity markets in Europe and the US yesterday, sendurites Michael Moroan.

Confirmation that Deutsche Bank was about to fulfil and Zurich all saw hefty surge.

activity in their banking issues as the race got underway to pick the next winner in the merger stakes.

Germany's Dresdner Bank ing already high-flying mar- shot up 7.6 per cent after its kets climbing still further, management board chief said a big merger was a "very clear option" for his bank. HypoVereinsbank did long-standing speculation even better with a 9.1 per with the takeover of Bankers cent surge. Société Générale Trust of the US sent Euro- put on 5.3 per cent but BNP pean financials higher, was the day's winner in Frankfurt, Paris, Amsterdam Paris with a 7.8 per cent

The news also had an in talks to acquire Netscape impact in Asia where HSBC Communications while Sun led Hong Kong higher, Microsystems was interested reflecting the powerful performance of financials in London and on Wall Street on Friday and with the Deut-

demand for the stock. Wall St climbed to within 100 points of July's all-time high at midsession as the Deutsche-BT deal spurred banks and brokerages. Cyber stocks also rallied sharply

Confirmation that Deutsche

Bank was in "advanced"

talks with Bankers Trust of

the US sent bank shares in

FRANKFURT steeply higher

and lifted the Xetra Dax

index 113.08 or 2.3 per cent to

It was the first time the

benchmark index had ended

above the 5,000 level in 11

weeks. Volumes were heavy

and at the close the market

was only 12 points short of

the best of the session in

Deutsche Bank, which

touched a high of DM115.50

at one stage, gained DM1.85

to DM109.35 and Dresdner

DM5 to DM71.10. Commerz-

bank added DM1.26 at

DM56.11 and HypoVereins-

bank rose DM11.80 to

BMW rose DM29.00 to

DM1.194 and Deutsche Tele-

kom added DM2.19 at

DM49.40 ahead of tomor-

row's full third-quarter

results which are expected

to provide pointers to a solid

full-year statement due mid-

PARIS also saw plenty of

sparkle among bank shares

and at the end of a busy

session the CAC 40 index

BNP took line honours

among banks, gaining FFr31

or 7.8 per cent to FFr429.

Société Générale rose FF746

to FFr921 and Paribas

improved FFr21.80 to FFr490.

Elsewhere among financials,

Axa added FFr27 at FFr729

on talk that the group is set

to make an offer for GRE in

a bid to significantly expand

its UK insurance operations.

FFr122 or 8.5 per cent to

FFr1.329, hurt by news that

French rival TF1 and Tele-

com Italia were in joint ven-

Canal Plus came off

was up 43.11 at 3,845.81.

spite of late profit-taking

5,024.51.

in Netscape's business software arm.

Sharp rises were also seen in some of Europe's emergsche Bank news fuelling ing markets as enthusiastic investors refused to be discouraged by what, under other circumstances, might have passed for bad news.

Akzo Nobel. A UK press

report that Akzo Nobel was

about to announce the dis-

posal of its Courtaulds pack-

aging arm sent the chemical leader's shares up Fl 4.40 to

Fl 81.50. Retailer Ahold

gained Fl 1.30 at Fl 68.90

ahead of today's third-quar-

The merger buzz among

banks was not lost on the

Dutch sector, ABN Amro

added Fl 1.10 at Fl 40.40 in

11.1m shares traded while

ING, its more diversified

rival, rose F! 4.40 to F! 114.90.

week's gains and after a

number of attempts, the SMI

index broke through tough

resistance around 7,300

points to close the day 196.2

or 2.8 per cent higher at

UBS and CS Group were in the spotlight, profiting from

derivatives-linked buying.

CS Group gained SFr18.50 to SFr243.25 and UBS rose

Insurers also posted gains

especially Zurich, SFr34

higher at SFr973, and Swiss

Life which put on SFr78 to

Nestle, expected to report

a 6 per cent rise in 10-month

sales tomorrow, gained

Alusuisse rose SFr46 to

SFr22.50 to SFr442.

SFr50 to SFr3,190.

7,334.3.

SFT1.049 .

ZURICH extended last

ter results statement.

Moscow shot up almost 11 per cent, undeterred by news that President Boris Yeltsin ever, the market's rise from note of caution as it reduced recent low levels did not indicate that foreign investors were beating a path back to Russian equities.

Istanbul was another winner, rising 9.8 per cent as tomorrow's censure vote. which is expected to topple Mesut Yilmaz's minority coalition, looks set to herald a broader centrist coalition. Not everyone was ecstatic about the outlook for Euro-

Many analysts expected a

believed that Viag would

cent up as banks and tele-

communications companies

MILAN ended almost 3 per

The Mibtel index closed

Telecom Italia was traded

heavily after News Corp of

Australia announced plans to acquire part of Telecom's

digital broadcasting opera-

tion. Telecom shares climbed

L652 or 4.9 per cent to

BNL jumped L278 or 5.8

per cent to L5,075 after it

emerged that its public

share offering had been sev-

eral times oversubscribed.

take over Alusuisse

powered ahead.

higher at 22,152.

merger

L13,982.

while others still

pneumonia. In truth, how- Goldman Sachs sounded a the weighting of equities in its recommended European clients to 55 per cent from 60 per cent, and raised cash to 10 per cent from 5 per cent.

The US investment bank expected European aquities to have a total return on a 12 month view of around 5 per cent which did not justify the significant overweight position in equities it had

Dax lifted back above 5,000

ended L94 or 8.2 per cent higher at L1,240. MADRID was held back by

The Ibex-35 index of lead-

By contrast, Amper, the telecommunications equipment manufacturer, posted the biggest gain of the day. rising Pta195 or 6.6 per cent to close at Pta3.140.

rest of the market. BBV gained Pta70 or 3.3 per cent to reach Pta2,180, while Santander finished Pta30 or 1.1 per cent higher at

per cent as Nokia reached record high and financial

per cent up at FM510.6. Merita, the bank, rose

buy stakes in two leading Baltic banks, and is negotia ting with a third, briefly woke Baltic markets from their slumber.

But activity quickly subsided as investors awaited figures detailing the impact of the Russian crisis on Baltic economies. Trade in shares of Uhis-

that Sweden's Skandina-

viska Enskilda Banken will

EMERGING MARKET FOCUS

Baltic banks

bank. Estonia's second biggest bank, was brisk after SE Banken said it planned to take a 32 per cent stake. But Uhisbank's share price hardly budged from the EKr24/26 level it attained following two weeks of strong rumours about a possible bid by a foreign bank.

The terms were close to what the market expected, and the market expected the deal to take place," said Sten Sumberg, chief trader at Talinvest Suprema Securities in Tallinn. SE Banken will pay EKr40 per share for 15m Uhisbank shares, to go with the 6m it already holds.

in Riga, Unibanka stock rose about 10 per cent following SE Banken's bid for a 36 per cent stake in the Latvian bank. Analysts said that local investors were relieved Unibanka. Latvia's second largest bank, had

found a partner. Uhisbank has reported poor third-quarter results, and Latvia's central bank recently said Unibanka's public accounts did not accurately reflect the exposure of its loan portfolio to the Russtan crisis. Unibanka made large loan loss provisions in

view of the impact of the crisis on local companies. In Lithuania, shares of Vilniaus bank rose about 30 per cent after SE Banken said it was talking to the bank about a possible strategic investment. Vilniaus Bank shares shored up liquidity on the local stock exchange,

await chill wind Last week's announcement

> Estions mouth dered liberali The proposed Vilniaus Bank deal with SE Banken has spurred local Vilniaus competitor Hermis Bank to intensify its search for a partner. investors have begun targeting Hermis stock in the belief the bank

would soon find a suitor, "Hermis is still looking for a quality investor but at this stage they would be more lenient (in their demands) than they were a year ago,' said Mr Sumberg.

Uhisbank, Unibanka and Vilniaus Bank agreed earlier this year to co-operate in their investment banking activities, as a prelude to a possible merger. SE Bank in has said, however, that it plans to keep the banks sep-

After a tough time at home, the SE Banken shopping spree in the Baltic market may yet turn out to have been well timed, but for now locals are hoping their economies can weather the chill winds coming from the east.

"We yet have to see how negative the impact of the Russian crisis will be," Mr Sumberg said. "In that sense, the fact

that major Swedish banks have invested in our (Estonian) banks was definitely a huge relief for anyone who cares about the macroeconomic situation and banking sector."

US stocks climb towards record levels

AMERICAS

A wave of optimism initiated by a renewed bout of mergers and acquisitions activity reach of its all-time high in early trading yesterday.

500 index, the broadest range of large-capitalisation stocks, was up 1.7 per cent at of 1.188.75, set in mid-July before the Russian financial crisis precipitated a sharp sell-off. On August 31, the S&P had touched 957.28.

The Nasdaq composite, weighted towards the largest technology companies, railied even more strongly. gaining 44.58, or 2.3 per cent. to reach 1,972.79, close to its record of 2.014.25, also set in mid-July.

The Dow broke above 9,300 for the first time in more than four months and was closing on its all-time high of

Mergers were the main driver, with many deals which had been long index at noon following planned, and delayed during strong gains for bank and the market downturn, being finally brought to the market. These allowed for strength in several different

Among the most strongly affected companies were Netscape Communications, which rose \$25, or more than 7 per cent, to \$42 on the back of reports that it was to be acquired by America Online, up \$3°, at \$88°;.

Bankers Trust, the capital plans to link with Deutsche Bank, saw its shares rise

almost 10 per cent, gaining \$77 to \$85.

ers in the US, which brought the Dow Jones appounced they were to Industrial Average within merge, both saw rises of

By midsession, the S&P and Provident \$312 at \$374.

erate, had launched a bid. Coltec also gained more than 10 per cent, up \$1 % at \$19%, on the back of the announcement that it was to

tions, international financial stocks all enjoyed a strong

Street stride for stride in

the wake of recent solid results from the sector. Royal Bank gained C\$3.90 to C\$78.35 and Canadian Imperial pushed on by C\$2.40 to C\$37.65. Bank of Nova Scotia

in demand with BCE up C\$1.20 at C\$55.55 and equipment maker Northern Telecom gaining C\$1.15 to were dull. Barrick fell 40 cents to C\$32.80.

São Paulo strengthens

SAO PAULO pushed higher from an active Wall Street. in early trading with solid gains by international stock markets offsetting the negative impact of resignations by three servor government nunisters

mark Bovespa index was up 141 or 1.7 per cent at 8.672. Telecoms giant Telebras was in demand with the receipts up 1.7 per cent to R\$112.40. MEXICO CITY took its cue

advancing 95.65 or 2.4 per cent to 4,091.18 on the IPC index at midsession. Telmex rose 50 centavos to 24.95 pesos although brokers said

check ahead of tomorrow's start to the latest Opec gathering. At midsession, the IBC index was off 70.55 or 1.8 per cent at 3.878.28.

International Monetary

Fund. The KSE 100 index

surged 50.39 to 1.039.01 in

volume that rose to 109m.

return to an IMF programme

was the key to vital multilat-

eral funding, as Islamabad

needs to plug a 85bn gap in

external payments for its

HONG KONG was pro-

pelled sharply higher by a

5.9 per cent surge in HSBC

closed 281.17 up at 10,514.53. HSBC jumped HK\$11 to

HK\$197.50, accounting for

143.72 points of the blue-chip

index's gain and almost a

\$32bn foreign debt.

HK\$8.6bn turnover.

fuelled activity.

Kong 75 cents to HK\$58.

Analysts said Pakistan's

Unum and Provident, the two largest disability insurabout 10 per cent, with Unum gaining \$4% at \$52%,

AMP, the manufacturing group, saw its shares rise 5.4 cent, gaining \$2 1 to \$17%, on the news that Tyco International, the conglom-

be acquired by BF Goodrich. Away from merger situa-

day, with JP Morgan and Citigroup both logging rises of more than 5 per cent -Morgan gained \$61 at \$1151 and and Citigroup rose \$2% at \$471. TORONTO matched Wall

early trading, rising 105.94 to 6.628.20 on the 300 composite technology stocks. Banks staved in favour in

rose C\$1.30 to C\$35.00. Telecoms shares were also

markets concern which C\$40.45. Golds, in contrast, ture talks with Australian media giant, News Corp. AMSTERDAM rose 21.02 or 1.9 per cent to 1,130.85 on awaited news on the out-

the AEX index to extend its come of co-operation talks gains to 9.3 per cent in six between the aluminium, straight sessions following a packaging and chemicals strong performance by group and German conglom-banks and a good run for erate Viag.

Johannesburg slips off highs

ended higher but below their best of the day after negative economic news sparked profit-taking late in the session. The all share index closed

1 per cent better at 5,825.3 with financials supplying most of the upside drive with a rise of 2.8 per cent at 9.149.6. Industrials gained 0.7 per cent to 6,640.2. Golds stayed soft, giving up a further 0.5 per cent to 1.034.4.

volumes were light. **SOUTH AFRICA** At midsession, the bench-CARACAS made a nervous start with sentiment held in Shares in Johannesburg

Jakarta jumps despite violence **ASIA PACIFIC**

Sharp gains were made in JAKARTA as overseas investors continued to buy despite further violence at the weekend. The composite index closed up 21.84 at 424,99. almost 20 per cent higher than last Monday's close.

Telekomunikasi Indonesia. the partially privatised telephone utility, reinforced its recent strong performance with a rise of Rp325 or 11.5 and the Hang Seng index per cent to Rp3,150. It third quarter of this year

THE DAY'S CHA	NGES
ų.	6 Chang
Jakarta	+5.3
Karachi	
Bangkok,	+5.0
Manila	+4.4
Kuala Lumpur.,,	+3.4
Hong Kong	+28
Singapore	+2.2
Sydney	+1.6

after a Rp1,176.7bn first-half

Indonesia Satellite, the partially privatised operator of international calls. climbed Rp2.075 or 16.8 per cent to Rp14,400.

Investor sentiment seemed unaffected by police reports that 13 people had died in violence on Sunday.

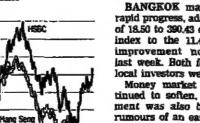
KARACHI shot higher. lending programme would demand from local institu- tinued to press up against and Metro Pacific 6 centavos be finalised soon with the tions for index-linked shares fresh highs. Commonwealth or 2.9 per cent at 2.12 pesos.



sent the composite index up

quarter of the day's The banking giant tracked Friday's powerful performance of financial stocks in London and on Wall Street while news that Deutsche Bank was in talks to buy Bankers Trust of the US its debt problems.

SYDNEY absorbed modest Property issues helped to drive the market higher. encouraged by apartment sales at the weekend. Sino Land, which sold 1,070 out of 1,268 offered at its Island Harbourview development, was flat at HK\$3.85 after a adding 51 cents or 4.8 per recent good run. Sun Hung cent at A\$11.21 with dealers Kai Properties added JK\$1.75 citing a rebound from the to HK\$57.25 and Cheung steady selling earlier this owned by First Pacific, the KUALA LUMPUR had one giant's disappointing first- ate. PLDT rose 45 pesos or encouraged by hopes that a of its best days for weeks as quarter results. Banks con- 4.3 per cent to 1,085 peacs,



15,61 to 477,17.

Telecommunications group Technology Resources controlled by businessman Taiudin Ramli gained 9 cents to M\$1.71 on expectations that the company would receive government help to tackle

profit-taking late in the session to close with the All Ordinaries index 44.0 or 12.6 per cent higher at 2,747.6. Turnover remained heavy at A\$1.04bn. News Corp provided the strongest feature, month following the media

rose 66 cents to A\$21.26 and NAB 31 cents to A\$23.71. BANGKOK made further

rapid progress, adding a gain of 18.50 to 390.43 on the SET index to the 11.4 per cent improvement notched up last week. Both foreign and local investors were active. Money market rates con-

tinued to soften, and sentiment was also boosted by rumours of an easing of the rules governing the amount of net settlement undertaken by individual brokers.

late surge, ending 15.4 per cent higher on the sector index. In banks Bangkok Bank rose Bt6.50 to Bt58.50 and Thai Farmers Bt5.50 to Bt57.50.

MANILA finished at a fivemonth high as investors continued to take comfort from the strength of the peso.

The composite index ended 80.57 higher at 1,922.26. The exchange has climbed 17.4 per cent since the close on November 10. The market was supported

by further speculation that Philippine Long Distance Telephone, the dominant telecommunications provider, was about announce a deal with Metro Pacific, which is majority Hong Kong based conglomerfears that a price war could harm Telefónica, the tele-

ing shares rose 10 to 9,441.9. Telefónica, which accounts for about a fifth of the index's weighting, ended Ptal30 or 1.9 per cent lower at Pta6.710.

Banks again outpaced the

HELSINKI climbed almost 611 points or 2.8 per cent

> stocks benefited from consolidation hopes. The Hex index closed 93.02 higher at 4,814.95, with Nokia ending FM14.10 or 2.8

FM0.60 or 2.1 per cent to FM29.10, while Sampo and Pohjola, the insurers, each jumped more than 5 per cent to finish at FM171 and FM224 respectively.



People can correspond. Why not banks? Of course banks can correspond too, but some

do it better than others. If you want the right correspondent in Turkey, we suggest you the one which Thomson Bankwatch rated highest among all emerging market banks. The Turkish bank whose high regard in the international financial community generated \$930 million worth of financing in 1997 and \$600 million in the first half of 1998. The bank that has completed several asset-backed securitization programmes

with maturities of 5-7 years. The bank that was selected as the "Best Bank in Turkey" by Euromoney for 3 consecutive years.

Then again, who could be a better choice than a bank that handles 14% of Turkey's exports and 7% of Turkey's imports? A bank whose foreign currency business volume totalled \$28 billion in the first 7 months of 1998. In short, the bank with global standards and local strength;

GARANTI BANK

For further information please contact Mr. Ergun Özen, Executive Vice Pre slak 80670 Istanbul/Turkey Tel. Faz: (90-212) 285 40 40 Telen: 27635 gatt-tr bttp://s

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